

# LABOUR ORGANIZATION

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## PREFACE

THE subject of the organization of labour is one with which it is impossible to deal adequately in a book of this size. All that we can hope to do is to outline in the roughest manner the forms of organization which labour has adopted in the past, and the new forms which it hopes to adopt in the future. We shall therefore first of all give a very brief description of the gild system, which was the universal method of organizing labour during the Middle Ages and until the middle of the eighteenth century. We shall then discuss the modern forms of labour organization, dividing the treatment of this part of the subject into two parts, first, the organization practised where the wage system prevails, and second, that practised where labour is remunerated by some payment other than wages. Under the first heading we shall treat of trade unionism, which is the principal, if not the only organization to which labour resorts under the wage system ; and under the second heading, we shall treat of profit-sharing, labour copartnership, co-operation, collectivism, syndicalism and gild socialism. We shall in conclusion endeavour to arrive at an opinion as to how far any of these forms of industrial remuneration is likely to replace the present system in practice, and shall indicate the safeguards which are necessary to ensure that the existing system shall yield its uses without its abuses so long as it continues.

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# LABOUR ORGANIZATION

## CHAPTER I

### THE CRAFT GILDS

THE Craft Gild was the general unit of organization of productive industry in Europe during the Middle Ages and until the end of the seventeenth century. It is impossible in the space at our disposal to enter in any detail into the structure and functions of the mediæval gilds ; numerous works have been written on the subject in many languages ; and many points of disagreement and obscurity have shown themselves in the discussion. A warning must be entered against any wide generalization on the subject of the gilds, which varied from country to country, from town to town, and from trade to trade ; and in particular too close an analogy must not be assumed between the English and Continental gilds, which differed in important respects.

In spite however of these differences the gilds possessed some fundamental points of resemblance which makes it possible to treat of them as a whole. Roughly speaking, they may be said to have been associations consisting of producers of a particular commodity in a particular area, grouped together to protect their own interests and the interests of the consumer, and based upon a well-recognized internal hierarchy according to the age and experience of the members. It was the general custom to divide the members of the gild into three classes, apprentices, journeymen and masters. The apprentice was the learner of a trade, a child whom his parents or guardians wished to be taught a trade being apprenticed

usually at about the age of twelve to a master. The contract of apprenticeship fixed the length of the apprenticeship, which might cover from one to twelve years according to the trade. The child's guardian usually paid an annual fee for his tuition, while in return the master provided the apprentice with lodging, food and clothes, and taught him the trade. In most cases the contract of apprenticeship was reinforced by oaths on both sides. The apprentice promised to be industrious and obedient, while the master promised to teach him the secrets of the trade and to treat him well. The apprenticeship having been entered on, the apprentice had no right to leave the service of his master, and was liable to punishment in the event of his running away. Disputes between the master and the apprentice were usually decided by the gild authority, which had power to free the apprentice from his contract in case of abuse and to indemnify his parents for the loss which they had incurred. It is impossible to say what was the general condition of the apprentice during the Middle Ages ; but it is quite certain that his lot was an enviable one compared with the wretched children who in the last century were condemned to learn their trade at starvation wages without any legal or corporative protection.

Next to the apprentices came the journeymen, who consisted of those who had completed their apprenticeship but who had not yet risen to be masters. The journeymen either remained on with the masters to whom they had been apprenticed, or else gave their services to some other master in the same gild. Their engagements were of varying duration, sometimes for a day, sometimes for a year. If the workman left before his time was up he could be seized and forced back to his service, while the master could not dismiss him without stating his reasons before the gild authority. The journeyman lived in his master's house, ate at his table, and was in every sense his social equal, in strong contrast to the position of the employee in industry to-day.

The conditions of work of the journeymen were the subject of regulations by the gild. Lighting in mediæval times was so imperfect that, generally speaking, the working day was

limited by the period of daylight; and the masters were bound to observe the Sunday holiday and the numerous religious festivals which were observed by the Church as holidays of obligation. The Saturday afternoon rest was also generally recognized, so that it may be concluded that the number of the days worked in the year by the mediæval journeymen was less than by the modern workman. The average number of holidays of obligation on which work was forbidden is estimated to have been about thirty.

The lot of the mediæval journeyman was a happy one compared with that of the modern workman. Living, as he did, under the roof of his employer, he was assured of at least the necessaries of life; while his position as a member of the gild gave him a certain share in the control of the industry in which he was engaged. Above all he was not separated from his employer by any difference of class, but, on the contrary, knew that in a few years he would himself be an employer. This arrangement prevented the growth of class warfare, and must have made for the stability of society. As Mr. and Mrs. Sidney Webb put it: "We do not wish to suggest the existence of any Golden Age in which each skilled workman was his own master, and the wage system was unknown. The earliest records of English town history imply the presence of hired journeymen who were not always contented with their wages. But the apprenticed journeyman in the skilled handicrafts belonged until comparatively modern times to the same social grade as his employer, and was, indeed, usually the son of a master in the same or some analagous trade. So long as industry was carried on mainly by small masters, each employing but one or two journeymen, the period of any energetic man's service as a wage-earner cannot normally have exceeded a few years, and the industrious apprentice might reasonably hope, if not always to marry his master's daughter, at any rate to set up in business for himself."

It must not be concluded however that complete harmony always reigned between the master and the journeyman. On the contrary mediæval records contain many accounts of combinations by journeymen to better their condition; and

such combinations were generally declared illegal. Such friction, however, is unavoidable in human affairs, and misunderstandings will occur in the best regulated families. In spite of occasional conflicts between the masters and the journeymen, the general impression left by the study of the guilds is one of harmony far more than of discord; and it must never be forgotten that, even if disputes arose, there was in existence a democratic and satisfactory machinery for settling them, namely, the guilds themselves.

Above the journeymen came the masters, or the fully qualified members of the trade, who had the right themselves to employ journeymen and to take apprentices. In one sense it may be said that the masters corresponded to the employers of to-day, but in another sense the analogy is quite imperfect, because, as we have said above, the masters had themselves been journeymen; the journeymen would themselves be masters, and the two sections were divided by no impassable gulf. Moreover, it is important to remember that the qualification for being a master was not the same as that for being an employer of the present day; the chief qualification of the latter is the possession of capital and business capacity, whereas the former was qualified by an exhibition of his industrial skill. By reason of this incessant promotion, difference between employers and employees did not tend to be perpetuated.

The organization of the guilds was therefore at the same time democratic and hierarchical. It was democratic because every member of the guild had an equal opportunity of rising to be a master, and all the members of the same grade ranked equally amongst themselves; it was hierarchical in the sense that, once the superior position of master had been attained, certain privileges accompanied it which would not be set aside or ignored by the lower grades. In its organization on these lines the guild closely resembled the Church of the Middle Ages, which was also democratic and hierarchical. Every member of the Church started with an equal opportunity of becoming a cleric or even a Pope; but, having attained to a position of superior dignity, he was immediately invested

with prerogatives and rights which conferred great powers and claims to obedience.

Although the three grades which we have mentioned were usually to be found in every gild, there were certain exceptions which we mention here simply in order to impress upon the reader that sweeping generalizations on historical subjects are dangerous. The apprentice occasionally rose directly to the rank of master, and the journeyman sometimes failed to rise to a superior position in the gild. In great commercial and industrial gilds profound inequalities between the members sometimes existed, and frequently the masters resembled an employers' federation of the present day. In some of the larger industrial gilds—especially in the woollen industry—autocratic tended to replace democratic control, and the germs of a capitalist organization of industry became apparent.

These differences in the gilds should not however blind us to their fundamental uniformity. The gilds were all voluntary associations of tradesmen pledged by oath to defend their own interests ; they imposed certain duties on their members ; they prevented them from working for their own aggrandizement rather than in the corporate interest ; and they succeeded in maintaining control over them by their power of expulsion and fine. The gilds were all legally recognized entities possessing property both movable and immovable. and empowered to contract and sue in their own name. They had their own meeting-place ; very frequently their private chapel, their banner and coat of arms ; and most important of all their traditions of high honour and craftsmanship. Indeed, it is doubtful if the chief value of the gilds was not moral rather than economic.

The aim of the gilds will have sufficiently appeared from our account of their structure. Of course, their first and principal aim was industrial or economic. The gild existed for the defence of the trade interests of its members, and, with this end in view, it regulated the production and the sale of the goods produced. The gild insisted on the observance of certain standards of quality, which were guaranteed by the imposition of certain exclusive marks resembling our modern trade marks,

and any member of the gild who sold an article inferior in quality or false in measure was liable to be severely punished. The great value of this regulation from the point of view of the consumer may easily be imagined, as it guaranteed to him that the article he was buying was of the quality which it professed, and he was therefore protected from the modern evil of shoddy and imitation articles. Moreover, the gild did not content itself with guaranteeing the quality of the article, but went further and regulated prices according to the obligations of certain well-understood principles of justice which were universally received in the Middle Ages. The just price was fixed in the interest not only of the producer, but also of the consumer, and was designed at the same time to give the former a reasonable return for his expenditure of time, money and labour, and to protect the latter from profiteering and extortion. In the matter of sale of goods all matters relating to weights and measures also fell within the jurisdiction of the gilds, and the minute system of regulations which was universal throughout Europe went to insure a high standard of commercial honesty.

The value of the gilds in regulating the relations of its members with each other was not less than that in regulating their relations with the consumer. They aimed at the attainment of fair play between the different producers in an industry, and endeavoured to ensure that all the masters would have equal advantages and equal expenses. For example, the individual members were frequently forbidden to purchase their own raw material, but were bound to purchase it through the gild, which could thus ensure that the principal expenses of production would in all cases be equal. Similarly the wages paid to journeymen were not left to private bargaining, but were the subject of gild regulations, as also, as we have seen above, were the conditions of labour. Members of the gild were forbidden to solicit each other's customers, or to advertise their own goods as superior to those of the other members. The economic advantages of such regulations must be immediately obvious, in view of the enormous sums of money which are wasted at the present day in advertising



the wares of an individual producer. In the Middle Ages the dominant idea of industry was not large profits for the individual, but a reasonable livelihood for all, and a guarantee of good quality for the consumer. The guilds were also frequently the centre of much philanthropic activity, as they served the purpose of mutual aid societies, and provided hospitals and medical attendance for those of their members who were sick.

Other services rendered by the guilds corresponded to those performed by the local authorities to-day. Frequently, the guilds were required to perform certain public services as a condition of obtaining their charters from the Royal or Municipal authorities. Thus, some guilds were bound to provide against fire ; others to provide hospitals for the sick poor ; and others to undertake the policing of the streets or the defence of the city. The provision guilds were entrusted with the very important duty of seeing that in times of scarcity the community would not suffer from famine, but would be provided with food by the resources of the guilds.

The guilds, therefore, were in possession of very great powers for good or evil, the whole of European industry was in their hands, and their ramifications extended into every quarter of the then civilized globe. How was it that such a system, so highly organized, so powerful and so jealous of its privileges, passed into desuetude and decay ? The answer to this question must be sought in a general study of the conditions of European industry and thought, as well as in a study of the guilds themselves. In other words the causes which operated to destroy the gild system were external as well as internal.

The first and most important external cause of the decay of the guilds was the change from city economy to national economy, which came about as a result of the expansion of foreign commerce and the growth of the national idea. After the fifteenth century economic barriers came to be co-terminous with national frontiers, and this change, together with the more advanced methods of production which were being introduced, operated to extend the market in which a manufacturer could vend his goods. At a later period, when industry on a large

scale came to be the order of the day, and when foreign became even more important than home commerce, the organization provided by the gilds became quite inadequate to deal with the new situation, and industry came more and more under the control of influences outside the gilds, until the latter had sunk in a state of unimportance in the economy of the country. One of the most far-reaching results of the change from small industry to large industry was the creation of a capitalist class. As we said above, the prime qualification for becoming an employer under the gild system was the possession and the display of skill; but, when machinery became of prime importance in industry, the principal qualification for becoming an employer came to consist in the possession of the money to buy machines. As a result of this change the whole structure of industry was altered; the number of employees engaged under one employer became greater and greater; the qualification for rising to the rank of an employer became increasingly difficult of attainment; and the distinction between master and workman was accentuated. The inflexible machinery of the gilds could not be adapted to this new structure of industry and therefore disappeared. The decline of the gilds synchronized with the rise of the working-class in the modern acceptation of the term.

The tendency towards class division was aided by the Renaissance, which brought into fashion a system of education based on the study of Greek and Latin, which drew a line of demarcation between those who received it, and were therefore destined to receive the higher positions of society, and those who did not, and were therefore destined for inferior positions. The old culture which was essentially democratic and popular gave place to a new culture which was essentially aristocratic and exclusive. It will be easily understood that this new division in society helped to extend the already existing distinctions between those who did and those who did not work with their hands.

Still more important than the Renaissance in this connection was the Reformation. In the first place the great religious wars which raged throughout Europe for many

years not only devastated and ruined many of the old centres of industrial activity but also broke down the fraternal spirit which had previously ruled in the guilds. The artisans were now divided into two hostile classes, one of which usually obtained possession of the guild organizations and used their power to degrade and impoverish the other. Apart from this temporary and possibly reparable damage wrought by the Reformation, that great movement had still more important consequences in the domain of thought. The guild structure rested essentially on mediæval thought. Rights and duties were in the Middle Ages held to be inseparable, and it would be impossible to entrust any organizations with the colossal powers which the guilds possessed unless they were guided in their exercise of them by a well-recognized and strongly enforced moral law. The Reformation succeeded in breaking down the universal acceptance of the mediæval moral law, and, in doing so, made the old economic structure of society no longer possible ; and the abandonment of the old conception of right and duty between man and man had as their ultimate consequence the drifting of European economy into a system of *laissez-faire* under which the guild organization disappeared. As we said above the idea underlying guild production was the assurance of a reasonable livelihood for the producer and of a guaranteed article for the consumer. Under the conception of *laissez-faire* however the guiding idea was cheap production with no regard for the moral or social effects. In a society guided by the latter idea any organization such as the guilds came to be considered undesirable, and was in fact impossible.

Moreover various political causes aided the overthrow of the guilds. In some cases the royal authority made use of its power to suppress the guilds in order to weaken the authority of the municipalities, of which it was jealous ; in other cases governments mulcted the guilds in fines for privileges, or sold to outsiders the privileges which had been previously inherent in the guilds ; and sometimes guilds were ruthlessly suppressed for refusing to accede to gross extortion. It must not be concluded however that governmental action was always directed

by purely selfish motives ; frequently gilds were suppressed because it was felt that their method of production had become outworn and was inimical to the best interest of the nation as a whole.

Such were the principal external causes which operated to break down the gild system. The principal internal cause was the growing spirit of division and jealousy amongst the members of the gilds themselves. The rank of master, which had originally been open to all, gradually came to be looked on as the exclusive privilege of the sons or relatives of previous masters, and the high offices in the gilds similarly came to be monopolized by certain families. Of course, encroachments of this kind were utterly subversive of the fundamental democratic spirit underlying the system, which could not survive such attacks. In addition to family influence being used to obtain promotion in the gild, money influence was also prominent, and in many gilds it was impossible for a man to become a master unless he were able to subscribe considerable sums to the gild funds. Frequently, offices were put up for sale amongst the members, and, of course, such practices were fruitful of corruption.

Moreover the gilds were their own worst enemies, on account of the numerous quarrels which were common among them. Always jealous of their privileges, they did not hesitate to attack any rival gild which threatened to take away from them any of the fruits of their monopoly, and in this way a great deal of the energy which might have been usefully employed in the production of commodities was frequently diverted to waging war upon their fellow craftsmen. The complex structure which had grown up in the course of time for determining the relations of the members of the gild among themselves also operated to impede production and to render the gilds out of harmony with an age of increasing expansion. Lastly, the growing power and exclusiveness of the masters excited the jealousy and discontent of the journeymen, who were driven to form separate organizations outside the gilds for their special protection. The friction which resulted did much to hasten the dissolution of the gilds.

Under the combined influences of these several causes the guilds gradually disappeared during the eighteenth century. Statute after statute was passed in England breaking down their exclusive privileges, and, by the beginning of the last century, practically none of the economic legislation of the Middle Ages survived, except that which prohibited workmen from forming combinations. The guilds themselves remained mere skeletons of what they had formerly been, and one by one deteriorated into mere nominal associations. In France a serious attempt was made by Turgot in 1776 to abolish all the guilds in the kingdom except four, but this attempt was unsuccessful, and the guilds were finally swept away in the storms of the Revolution. At the same time that the guilds were abolished combinations of workmen were prohibited. This legislation, which was dictated by the revolutionary spirit of liberty then reigning, really had the effect of exposing the weak to the full and unbridled power of the strong, and it was from the end of the eighteenth century that we may date the beginnings of the modern labour movement, which was the outcome of the desire by the workmen to substitute a regulated for an unregulated regime. In the other countries of Europe the guilds were slower to disappear in theory, but in practice they had long outworn their utility, and after the beginning of the nineteenth century they took no useful part in the economic functions of society.

Before concluding this chapter we must attempt briefly to pass judgment on the defects and merits of the gild system. The first and most striking defect which the system exhibited was its tendency to paralyse individual enterprise and effort, and to stereotype the old process of manufacture under the protection of monopoly. Obviously new methods of manufacture could not be introduced with the same freedom (when the whole industry of an area was under the control of a highly complex organization), as under a system where each individual is at liberty to conduct his business as he chooses. This defect, however, was not present in every case, as many of the larger guilds, which were in possession of large capital and dealt with a vast market, welcomed improved methods of production,

and it is probably fair to say that a great many modern inventions had their genesis in the experiments of the more highly organized guilds in the Middle Ages. Another defect from which the guild system suffered was the narrow jealous spirit which frequently animated the craftsmen; and the guild organization which was meant as a shield was frequently used as a sword. As a result of this exclusive spirit many excellent artisans were frequently deprived of the means of exercising their skill; and, especially in later centuries when family influence came to be predominant, defective methods of production were frequently the result of the monopoly possessed by the guilds. Indeed, the whole case against the guilds might be summarized in the one word monopoly. At the present day we are familiar with the problems presented by the existence of colossal trusts and combines. Under the guild system such organizations were universal. The one thing that made them tolerable was the fact that they existed in a civilization where all economic action was universally admitted to be subject to the moral law, and where rights were generally recognized as only justifiable when accompanied by the performance of corresponding duties.

On the whole the merits of the guilds outweighed their defects. While on the one hand they insured that the producer would receive a fair remuneration for his labour and expenses, on the other hand they insured that the goods produced would be of the quality they pretended to be. This guarantee of quality was a great protection for the consumer, especially for the poor, who could not afford to inspect with minute care the class of ware they were purchasing. The fact that there was a generally recognized standard of quality for goods of every class also made for economy in production, because the public knew what it was getting and what it wanted. No doubt the colossal waste of money which occurs to-day on advertising and other methods of pushing goods would be rendered quite unnecessary if the quality of all goods were guaranteed by public organizations. Another good feature of guild production was the spirit of collective responsibility. When the whole of a trade was

responsible for the defaults and frauds of one of its members, the moral check on the commission of such defaults and frauds must have been greatly strengthened. In this way the individual workman was restrained from evil doing. On the other hand, the gild organization was also designed to succour him in misfortune. Every gild had attached to it an extensive system of mutual relief and private insurance against old age, sickness, unemployment and the other accidents which cause such irreparable damage to the unprotected workman.

But the outstanding merit of the gilds, when all is said and done, was that they divided industrial society by vertical and not by horizontal lines. At the present day the producers of the world's wealth are divided into two distinct classes of employers and employed. This division is not confined to any one industry, but on the contrary the tendency is becoming more and more marked for all the workmen in all the industries in a country and for all the employers in the same country to unite. This is a most unnatural method of dividing society, for it assumes that the interests of, say, a woollen worker, is nearer allied to that of the linen worker than it is to that of the woollen worker's employer. In the Middle Ages on the contrary the true division of social interests was more correctly apprehended; all the producers of a given commodity felt that their interests were common as against the consumer, whatever their internal differences might be; and the result was that the evil of class warfare, which is so prevalent in modern times, was practically unknown under the gild system. The interest and value therefore of a study of the gilds does not lie in detecting any resemblances between them and modern labour organizations but rather in appreciating the fundamental point of difference which distinguishes them from all modern associations of workmen. As Mr. Cole puts it, "The value which the study of mediæval gilds possesses for the modern world is not based on any historical continuity but lies rather in the very discontinuity of economic history, in the sharp breakage which modern industrialism has made with the past."



## CHAPTER II

# THE ORGANIZATION OF LABOUR UNDER THE WAGE SYSTEM

### SECTION I. TRADE UNIONS

**A**S was stated in the previous chapter, modern industry is founded on a capitalistic basis. In other words the means of production are owned by a comparatively small number of persons, while the work of production is performed by workmen who have no interest in the process beyond the wage which they receive. The majority of the workmen of to-day being wage earners, it follows that the most important organizations of workmen must consist of organizations of wage earners. Such organizations are of various kinds. There are, for example, mutual insurance and friendly societies, which aim at providing the working man with the necessities of his periods of illness and his old age. There is one species of workmen's organization, however, which stands out pre-eminent before all others, inasmuch as it is designed to benefit the workman not so much in his capacity as a consumer as in that of a producer, and does not aim simply at the provision of sick, accident, old age and unemployment benefits—though such benefits may be within the scope of its activity—but also at the improvement of the workmen's conditions of employment. This organization is the Trade Union, and, as it is by far the most important of the workmen's organizations of the present time, we shall deal with it first, and shall devote to it the greater part of the space at our disposal.



SECTION II. TRADE UNIONS AND THE LAW AND  
ECONOMIC OPINION§ I. *Trade Unions and the Law*

At Common Law any combination to regulate the conditions of work in any industry was deemed illegal, both as being contrary to public policy and as being a conspiracy in restraint of trade. Nominally this prohibition applied equally to combinations of masters and of workmen, but in practice the only combinations which were restrained or repressed by it were those organized by the latter. From the reign of Edward I to that of George IV this Common Law prohibition was reinforced by thirty or forty Acts of Parliament directed against combinations to raise wages or otherwise to regulate conditions of employment. The great changes which industry underwent during the latter half of the eighteenth century, owing to the larger scale production and the concentration of capital brought about by the industrial revolution, caused many operatives to form illegal combinations in defiance of the law. This serious growth of illegal and, as they were then thought, dangerous combinations provoked the legislature to put the law on a more certain and definite footing, and an Act of Parliament was consequently passed in the year 1800 providing that all persons combining with others to advance their wages or decrease the quantity of their work, or in any way to affect or control those who carried on any manufacture or trade in the conduct and management thereof might be convicted before one of the justices of the peace and might be committed to the common gaol for not more than three months or be kept in a house of correction at hard labour for two months.

In spite of this stringent act the habit of combining to raise wages grew more rapidly than ever, and, such was the distress caused by the constant conflict between the custom of the people and the law of the land, that a select committee of the House of Commons was appointed in 1824 to inquire into and report upon the whole question of the combination

laws. This committee reported "that the laws had not only not been efficient to prevent combinations either of masters or workmen, but, on the contrary, had in the opinion of many of both parties, a tendency to produce actual repression and distress, and to give a violent character to the combinations, and hence have become highly dangerous to the peace of the community." The committee further recommended "that masters and workmen should be freed from such restraints as regards the rate of wages and the hours of working and be left at perfect liberty to make such agreements as they mutually think proper"; also "that the statute laws which interfere in these particulars between masters and workmen should be repealed"; and lastly, "that the Common Law under which a possible meeting of masters and workmen might be prosecuted should be altered."

An Act of Parliament giving effect to these recommendations was passed, but the immediate results of the change were so inconvenient and alarming that another sub-committee was appointed in the following year to review the findings of the former. This committee reported in a sense diametrically opposed to the former and recommended the repeal of the previous Act. An Act of Parliament was consequently passed in 1825 repealing that of the former year and consolidating the whole Statute Law on the subject. This Act provided that no persons were liable to punishment for meeting together for the sole purposes of consulting upon and determining the rate of wages or prices which they being present would require for their work or pay to their workmen, or the hours for which they would work or require work in any trade or business, or for entering into any agreement, verbal or written, for the purpose of fixing the rate of wages or prices which the parties to it should receive or pay. The Act further imposed a penalty of three months' imprisonment with hard labour on any person who should by violence, threats, intimidation, molestation or obstruction do or endeavour to do any of a series of things inconsistent with freedom of contract which the act enumerated and defined.

Serious doubts arose as to the meaning of the words molestation and obstruction, in order to remove which an act was passed in 1859 providing that, "no person by reason merely of his endeavouring peaceably and in a reasonable manner and without threat or intimidation direct or indirect to persuade others to cease or abstain from work in order to obtain the rate of wages or the altered hours of labour agreed on by him and others should be deemed guilty of molestation or obstruction." In spite of this partial recognition trade unions still remained unlawful, though not necessarily criminal associations; many of them were granted special statutory powers; but, generally speaking, they remained unrecognized by the law and liable to prosecution if they exceeded the definite positive powers entrusted to them.

In order to remedy this state of things the Government appointed a Royal Commission which sat during the years 1867-9. The results of the findings and recommendations of this Commission were: (1) the passing of a temporary measure for the more effectual protection of trade union funds in 1869, and (2) the enactment of what came to be known as the Trade Union Acts, 1871-6. The latter acts, which must be construed with the Conspiracy and Protection of Property Act, 1875, formed the basis of the trade union law until the passing of the Trade Disputes Act in 1906.

The principal provision of these acts was that "an agreement or combination by two or more persons to do or procure to be done any act in contemplation or furtherance of a trade dispute shall not be indictable as a conspiracy if such act committed by one person would not be punishable as a crime." The act further provided that the purposes of a trade union should not be deemed illegal because they were in restraint of trade, and that no court should entertain proceedings with the object of directly enforcing or recovering damages for the breach of an agreement between the member of a trade union as such concerning the conditions on which the members for the time being should or should not sell their goods, transact their business, employ or be employed, or any other action concerning the relations of a member to his union,

or actions between two trade unions. It was constituted a misdemeanour for any person to break a contract of service knowing or having reasonable cause to believe that the principal consequence of his so doing either alone or in combination with others would be to endanger human life, or to cause serious bodily injury ; and also for any person employed by a municipal authority or by any company or contractor upon whom was imposed the duty of supplying any place with gas or water to break a contract of service knowing or having reasonable cause to believe that the principal consequence of his so doing either alone or in combination with others would be to deprive the inhabitants of that place of their supply of gas or water. As regards registration, trade unions were put on the same footing as friendly, provident and industrial societies. The practice of intimidation was made indictable with a special exception in favour of peaceful picketing.

These acts remained the basis of the law on trade unions for thirty years, but a series of special points in connection with several judicial decisions arising out of trade disputes called for their revision in 1906 when the Trade Disputes Act was passed. This very important act, which put trade unions on a totally new footing, and which, in the opinion of many, marked a turning-point in the social structure of the United Kingdom, deals with three chief points: (1) picketing, (2) conspiracy, (3) the liability of trade union funds to be taken in execution of the wrongful acts of the agents of the union. With regard to picketing the act provides that, "It shall be lawful for one or more persons, acting on their own behalf or on behalf of a trade union or of any individual employer or firm in contemplation or furtherance of a trade dispute, to attend at or near a house or place where a person resides or works or carries on business or happens to be, if they so attend merely for the purpose of peacefully obtaining or communicating information, or of peacefully persuading any person to work or abstain from working." With regard to the law of conspiracy the act provides that, "An act done in pursuance of an agreement or combination by two or more

persons shall, if done in contemplation or furtherance of a trade dispute, not be actionable unless the act, if done without any such agreement or combination, would be actionable."

The change in the law on the liability of trade unions brought about by the Trade Disputes Act was caused by a series of decisions in the law courts which culminated in what is known as the Taff Vale Case. This decision of the House of Lords established: (1) That trade unions might be sued in court in their registered name, and their funds made liable for damages caused by the wrongful action of their agents and members, and (2) that any trade union whether registered or not could be sued in part by means of a representative action, that is to say might be sued as a defendant where numerous parties had the same interest in the result of the suit. It has never been disputed that the judges who decided this case took a correct view of the law as it stood at the time, and their decision was based on the fact that the Act of 1876, although complete as to criminal, was defective as to civil proceedings against trade unions. Nevertheless, the decision created acute dissatisfaction amongst trade unionists, as a result of which a Royal Commission was appointed in 1903 to consider in what respects the law relating to trade unions required amendment. This Commission reported in favour of the amendments with regard to picketing and the law of conspiracy, which, as we have said above, were embodied in the Trade Disputes Act of 1906 but pronounced against any amendment of the law as laid down in the Taff Vale Judgment. Their recommendation, however, was overlooked by the Government of the day and consequently the Trade Disputes Act provided that, "An action against a trade union, whether of workmen or masters, or against any members or officials thereof on behalf of themselves and all other members of the trade union in respect of any tortious act alleged to have been committed by or on behalf of the trade union, shall not be entertained by any court."

Since the passing of the Trade Disputes Act no further legislation has been passed relating to the legal status of

trade unions, and only one important decision as to their status has been given, namely, the famous Osborne judgment of 1909, which decided that an enforced levy of a contribution by trade unions on their members for the support of parliamentary candidates was *ultra vires*. The uneasiness and agitation provoked by this decision had a great deal to do with the establishment of the principle that members of Parliament should be paid.

We shall have occasion in dealing with various special aspects of trade unionism to call attention to legislation affecting special points, but the attitude of the law towards trade unions was settled by the act of 1906.

## § 2. *Trade Unions and Economic Opinion*

Next to the attitude of the law towards trade unions we must consider that of economic opinion. During the first three-quarters of the nineteenth century the whole of trade union activity was condemned by economists as being not only futile but dangerous, and this condemnation flowed quite logically from the economic conceptions of the time. One of the most important doctrines taught by the so-called orthodox political economists was the theory of the wage-fund, which assumed that wages depended at any particular moment on the magnitude of the fund or capital appropriated to the payment of wages, compared with the number of labourers, or, in other words, that the numbers of labourers was, as it were, the divisor and capital the dividend of a problem in which the quotient would represent the average wage. Carried to its logical conclusion this theory meant that the amount of wealth distributable amongst the wage-earners of a country at any particular moment was absolutely predetermined, partly by the action of the community in the past, and partly by the industrial character of the industry of the time. If this fundamental assumption were correct, trade union activity could obviously be of no use to the wage-earner, because as it could not increase the wage fund, it could not increase the wages of the wage earners as a whole. If any

increase in wages occurred in one trade it must be balanced by a corresponding loss in the regularity of employment, or be at the expense of some other class of wage earners in a position of economic disadvantage. Thus any rise in wages in one trade could only be obtained at the expense of the wage-earners in another. Moreover, the generally accepted assumption that capital was almost completely fluid led to the conclusion that the employers in the trade where a temporary increase of wages was obtained could remove their capital into another trade where wages were lower and where consequently profits would be higher. Obviously this theory would nullify any possible advantage which might be expected to flow from the combined action of workmen in trade unions or otherwise.

In addition to this cogent and widely received argument the opponents of trade unionism relied on another assumption, which, if it were true, was sufficient to stultify all voluntary action by the wage-earning class, namely, the celebrated Malthusian principle of population. There is no need to enter in detail into this famous theory beyond saying that it assumed as a premise that every increase in the prosperity of the workman was followed by an increase in his family, and that this had the result in the course of a few years of increasing the demand for commodities more than proportionately to the increased supply. Thus the orthodox economists believed that all economic relations were destined to be regulated by cast-iron rules, which could not be set at nought by any human action. "Against these barriers," said Cairnes, the last of the orthodox economists, "trade unions must dash themselves in vain. They are not to be broken through or eluded by any combination however universal; for they are the barriers set by nature herself."

There was one and one way only in which it was admitted that trade union activity might operate to increase wages, and that was by restricting the number of wage-earners in a particular trade. It was admitted that, if the workmen in any trade could by an absolutely firm combination extending from one end of the kingdom to another permanently restrict



the numbers entering that trade, they might gradually force their employers to offer them higher wages. In other words it was assumed that the only useful function which a trade union could serve was to bring about a monopoly of a particular service. But here, again, the iron laws of the orthodox came into play. The increased drain on the imaginary wage fund automatically depressed the wages of the rest of the wage-earning community, and had the result of robbing Peter to pay Paul. Moreover, the increased cost of production had the effect of bringing foreign competitors into the market and of annihilating industry where the workmen were well paid. This last argument assumed the existence of a free trade between nations, but to question the wisdom of a free trade was to the orthodox basest heresy. Any advantage, therefore, which trade union activity could obtain for its members was doomed to be at the best but sectional and temporary.

It is not surprising in view of the acceptance of these theories that economic opinion as a whole was opposed to trade unionism so long as orthodox economists held the field. Public opinion as usual simply reflected the opinions of the scientific experts, and therefore trade unions were regarded during the first three-quarters of the nineteenth century not so much as wicked or anti-social as futile and unscientific.

We cannot here enter into the gradual abandonment of the position which we have described ; let it suffice to say that by 1880 the fundamental assumptions of the wage fund theory and of the Malthusian theory of population had been abandoned, and that consequently the premises on which opposition to trade unionism rested had disappeared. Towards the end of the century the theory of distribution which held the field declared that wages, like other incomes, depended not upon the amount of the capital of a community, but upon the amount of its aggregate revenue, and that, therefore the different factors of production could advantageously and successfully combine amongst themselves to determine the share of that revenue to which they were entitled. Moreover, the facts of nineteenth-century life had shown the folly of



Malthusianism, and had demonstrated that, far from an increasing population being the cause of poverty, or at best stagnation, it was on the contrary accompanied in fact by greatly increased wealth. "We do not find any modern economist," say Mr. and Mrs. Webb, "however orthodox may be his bias, refuting trade unionism by a reference either to the wage fund or to the population." Sir William Ashley wrote in 1903: "One is still constantly told or finding it implied that unionism is 'against political economy.' Usually this is supposed to reflect discredit on unionism; occasionally it is asserted that this is 'so much the worse for political economy.' But if Political Economy is taken to mean what the chief economists of the last two generations have actually been teaching, the opinion indicates simply ignorance." Since the above words were written the old prejudice against trade unions has still further disappeared, and they are regarded at the present day as quite a legitimate and successful expedient for increasing the wages and the standard of life of the wage-earning classes.

### SECTION III. THE HISTORY OF TRADE UNIONISM

#### § 1. *Before 1825*

It was a favourite theory up to a few years ago that the trade unions originated in the old craft guilds, but the researches of Mr. and Mrs. Sidney Webb have once and for all proved that this was not the case. On the contrary the precursors of the trade unions of the eighteenth century were bodies of journeymen quite independent of the guilds. Judging by the number of complaints which we find in the journals of the House of Commons, combinations of workmen must have been very frequent towards the end of the eighteenth century, and we might draw the same conclusion from the numerous statutes directed against them.

Many of these combinations had not any formal constitution; they were to a large extent simply workmen's clubs which had been founded for social ends, which took notice

of the position of the trade as a whole when matters of difficulty or oppression arose. But, apart from such informal combinations, there were many continuous and properly constituted organizations of wage-earners. The reason why such organizations came into being in the eighteenth rather than in the seventeenth or sixteenth century is to be found in the general economic history of the time. During the period of the industrial revolution the workers were beginning to be divorced from the ownership of the means of production, and consequently a capitalist class arose, to deal with the demands of which some organization of the dispossessed workmen was necessary. It is a mistake however to conclude that trade unionism was a product of the introduction of machinery and the factory system, because many trade unions were in existence at an earlier date than factories and in industries untransformed by machinery. The divorce between the workmen and the means of production was not confined to those industries in which improved processes had been introduced, and it was this divorce, which was simply intensified by the introduction of machinery, which necessitated the defensive organization of the working classes. The truth of this assertion is proved by the absence of any permanent trade combinations in industries in which the divorce had not taken place. It is also a mistake to assume that trade unions were a direct result of oppression of the working classes, because, if this were so, we should expect to find trade unions more developed amongst the most oppressed and ill-treated workmen, whereas in fact they arose amongst the skilled artisans who had been accustomed to maintain a fairly high standard of life. Indeed, the principal objects of trade unions during the first years of their existence was not so much the improvement, but the prevention of deterioration in the condition of their members, and insistence upon the observance of agreements and customs which had become general in the trade. In other words trade unionism originally was defensive rather than offensive. The necessity for such organizations was intensified by the growth amongst the employers of the doctrine of *laissez-faire*, which had as one of

its consequences the abolition of all the legal safeguards which had protected the workmen in making a contract of employment. At the same time the governing classes, whose action in pursuing the policy of *laissez-faire* rendered organization by the workmen necessary, prohibited the latter from themselves pursuing a course of complete liberty of action. When all is said and done, the combination by two or more workmen to raise their wages is quite as natural an incident in a regime of complete economic freedom as their bargaining individually. This view, however, was not taken at the end of the eighteenth century.

We have referred to the oppressive Act of 1800 which was directed against combination in every shape and form. The twenty-five years following this legislation was a period of legal persecution for the trade unions. At the same time the existence of many unions was connived at so long as they did not employ militant methods to obtain their demands. The principal feature of this period of oppression was that the old trade unionism of the skilled handicraftsmen not only continued to exist, but became more exclusive and more arbitrary than ever, while on the other hand the new unions in the machine industries which comprised the lower class of labour were vigorously prosecuted and suppressed by the law. The very fact however that all the unions were under the same legal ban had a strong tendency to unite the unions of all classes of workmen to resist the common opponent, and we find that the unions frequently co-operated to conduct legal proceedings and to initiate parliamentary action.

## § 2. *From 1825 to 1845*

The Act of 1825, to which we have already referred, which conferred a certain liberty of combination upon the workmen was immediately followed by an unprecedented outburst of trade union activity, which however broke down in a few years and ended in complete failure. The consequence of this set-back was that the working men came to believe in the futility of sectional combination, and turned to the larger

aims and more idealistic character of the radical and socialistic agitation of the time. During the decade 1830-40 the principal ideal of trade unionists was the one big union of all workmen in the country.

It is well here to draw attention to the distinction between trade unions and the trades unions. The former, as the name implies, is a combination of the workmen in a particular trade, whereas the latter is a combination of those of different trades. It was the effort to bring about a trades union in the strict sense which distinguishes the period following the Reform Bill Act. The culminating effort in this direction was the establishment in 1834 of the Grand National Consolidated Trades Union. This body aimed at embracing all the manual workmen in every trade in the country, and at first it grew at a surprising rate. Its success however was short-lived. For one thing the employers were provoked into uniting in self-defence, and they were strong enough by lockouts to do much damage to the union ; again the union was involved in costly and harassing disputes between various sections of its own members ; and lastly it came under the ban of the law inasmuch as entrance to it involved the administering of an oath. Six labourers were sentenced to seven years' transportation in Dorchester for having administered an oath, and this sentence, which was carried out in all its severity, struck a severe blow at the prestige of the union. In a couple of years the Grand National Consolidated Trades Union had ceased to exist, and the example of its failure was sufficient to deter workmen from attempting any similar project for many years.

### § 3. *From 1849 to 1890*

It is from about 1845 that the modern trade unions may be said to date. They are distinguished from those of the earlier idealistic period by their strictly practical character and their successful business management. It is unnecessary here to give details of the growth of particular societies ; suffice it to say that, with the exception of various periods of depression, the number of trade unionists in the country

has continued to increase steadily from 1845 to the present day.

The period of trade inflation following 1871 witnessed a most remarkable growth of trade unionism, which attempted for the first time since the inauguration of the modern movement to provide not only for the skilled workers but also for the general and agricultural labourers. The following few years, however, which witnessed one of the severest trade crises of modern times, did much to discourage the growth of trade unionism. The employers, who were not slow to take advantage of the distress of the workmen, succeeded by uniting with each other to destroy hundreds of the smaller societies, and in undermining the power of the large national organizations, which either broke up or sank to a position of merely local importance.

The period following 1880 is notable for the introduction of a new spirit and new ideas into the trade union world. The so-called new unionism of these years was the result of the infusion of this spirit. Before 1880 trade unions had as a whole been supporters of the *laissez-faire* ideas, but, owing to a variety of causes, they had before 1890 come very largely to adopt collectivism as their creed. The widespread circulation in Great Britain of Henry George's *Progress and Poverty* did much to move opinion in this direction, and the tendency was aggravated by the propaganda of the socialists, who were very active at the time in spreading the idea of Marx up and down the country ; moreover, attention was being drawn in the press and elsewhere to the terrible conditions under which many of the working classes were doomed to live, and very widespread publicity was given to social evils which had theretofore been largely overlooked or misunderstood. The series of statistical investigations conducted by Charles Booth and other social workers exhibited a state of affairs in England which was sufficient to drive the working classes into acute discontent with their position. The only party who were able to produce any logical and complete remedy for this appalling state of affairs seemed to be the socialists, and it is not surprising that their propaganda succeeded in obtaining for

them many adherents amongst trade unionists. To the unskilled labourer especially the new doctrine came as a matter of particular importance, because he had been uniformly excluded from the ranks of trade unions, which still persevered in an antiquated and exclusive attitude towards all but highly skilled workmen.

The result of this new spirit in the trade union movement was the creation of several bodies to meet the needs of the unskilled labourer. Various strikes organized by or on behalf of the lower class of workmen succeeded owing to the support which they obtained from the public; and this new spectacle of workmen succeeding in bettering their position, simply because they were weak, came as a revelation to the lower-grade workmen. The success of the London Dockers' Strike in 1889 resulted in the formation of large numbers of trade unions amongst the unskilled labourers. At first these new unions were inclined to uphold very advanced and revolutionary ideas, but in a few years they had dropped their revolutionary in favour of a constitutional programme.

#### § 4. *From 1890 to the Present Day*

In the last thirty years trade unionism in the United Kingdom has developed at an unprecedented rate. In 1893 the trade unions, after two centuries of development, numbered little more than one and a half million members in a community of forty millions, or about four per cent of the population and about twenty per cent of the adult male manual workers. At the beginning of 1920 it was estimated by Mr. and Mrs. Sidney Webb that the number of trade unionists was well over six millions in a community of about forty-eight millions, or over twelve per cent of the population, and including as many as sixty per cent of the adult male manual workers. With the exception of slight setbacks in 1893-5 this growth of membership has been continuous and uninterrupted. Moreover, it is worth noticing that the increase in trade unions is one of continuous acceleration, or, in other words, that it is getting larger every year. Trade

union membership has actually doubled in the last eight years. The following figures show the extent of the trade union movement in the United Kingdom from 1899 to 1916 :—

## MEMBERSHIP OF ALL TRADE UNIONS

Year.	No. at end of year.	Membership at end of year.	Percentage increase (×), decrease (−) on the previous year.
1899	1310	1,860,913	—
1900	1302	1,971,923	× 5.9
1901	1297	1,979,412	× 0.3
1902	1267	1,966,150	— 0.6
1903	1255	1,942,030	— 1.2
1904	1229	1,911,099	— 1.6
1905	1228	1,934,211	× 1.2
1906	1250	2,128,635	× 10.0
1907	1243	2,425,153	× 13.9
1908	1218	2,388,727	— 1.5
1909	1199	2,369,067	— 0.8
1910	1195	2,446,342	× 3.3
1911	1204	3,018,903	× 23.4
1912	1149	3,287,884	× 8.9
1913	1135	3,987,115	× 21.5
1914	1123	3,918,809	— 1.7
1915	1106	4,141,789	× 5.6
1916	1115	4,399,696	× 6.2
1917		5,540,000	× 18.6
1918		6,645,000	× 19.9
1919		8,024,000	× 20.8

The above figures, striking as they are, do not, however, enable us to arrive at a complete estimate of the importance of trade union development in recent years. Not less significant than the actual increase of numbers are the facts that the area covered by trade unionism has been becoming much more widespread, that the movement is extending more into the ranks of the unskilled workmen, that women workers are joining trade unions in increasing numbers every year, and, most important of all, that the movement, which thirty years ago was looked on as essentially designed for manual workmen, is to-day embracing brain workers of every grade.

The essential feature of the new unionism of the nineties was that it endeavoured to embrace even the lower classes of



unskilled workmen. It was the opinion of the time amongst the old trade unionists that the great success which the new unionism undoubtedly achieved for a few years must, in its very nature, be ephemeral owing to the enormous difficulties of organizing badly paid workmen on a sufficiently strong basis to enable them to withstand capitalistic attacks, but, nevertheless, the new movement has been an unqualified success and, at the present day, no less than thirty per cent of all the trade unionists in the United Kingdom belong to the unskilled classes, while many of the most respected leaders of the labour movement have come from the unskilled unions. These unions, like the skilled workmen's unions, have shown a strong tendency in recent years towards amalgamation and federation, so that, as long ago as 1907, there were as many as 150,000 organized unskilled labourers in a half-dozen societies. There is the General Labourers' National Council which was founded in 1908 and developed in 1917 into a National Federation of General Workers, which now includes all important general unions of general workmen with an aggregate membership of over 800,000. A further step towards unification was taken in 1919, when this federation appointed ten district committees consisting of two representatives of each of the affiliated societies charged to consult with regard to any local trade dispute involving more than one society. At the present day the general Labour Unions have at least 1,500,000 members, and these form by far the largest group of organized workers in the Trade Union Congress.

The agricultural labourer has always been a peculiar difficulty to trade union organizers. In the wave of success of the new unionism in 1890 a number of agricultural labourers entered unions, but this new development proved to be short-lived. In 1906 a new society of National Agricultural Labourers and Rural Workers' Trade Union was formed which attracted a considerable number of adherents in the eastern counties of England, and a similar society was founded in Scotland in 1913. The passing of the National Insurance Act in 1911, and of the Corn Production Act in 1917, which latter act



provided for the fixing of a legal minimum wage for agricultural workmen, had the result of greatly increasing the numbers of rural labourers comprised in trade unions, and at the present day the movement towards trade unionism amongst farm workmen is advancing very rapidly in all parts of the United Kingdom. The total number of agricultural labourers in trade unions probably represents more than three hundred thousand, being about one-third of the total number of men employed in agriculture at wages.

The advance of trade unionism amongst women workers in the last thirty years has also been most remarkable. Until about 1906 no noticeable advance in this direction took place, but since then the movement to include women workers of every description in trade unions has triumphed over all opposition. The passing of the Trade Boards Act in 1909, which enabled a legal minimum wage to be fixed in certain sweated industries in which women were principally employed, had the immediate result of stimulating trade union organization amongst the women workers in the industries affected. This act has since been extended to several other industries, always with the same result. Furthermore, the National Insurance Act brought many thousand women into the approved society sections of authorized trade unions. But it was above everything else the war, with its unprecedented demand for women workers, which finally established the success of trade unionism amongst women. The National Federation of Women Workers rose from eleven thousand in 1914 to over sixty thousand in 1919; several new trade unions were established exclusively for women; while thousands of women were admitted to the great trade unions in the various industries the membership of which had previously been confined to men. Nevertheless, in spite of this great advance, it is estimated that not more than thirty per cent of the women wage earners of the country is comprised in trade unions.

The downward progress of trade unionism amongst the unskilled labourers and lowly paid women workers was balanced by the upward advance amongst the brain workers. In 1892 there was practically no trade unionism amongst

clerks and shop assistants or Government and municipal employees, but at the present day all these classes of workers have organized themselves on a very strong basis, and must be reckoned as being one of the most important factors in modern trade unionism. The National Amalgamated Union of Shop Assistants Warehousemen and Clerks, which was established in 1899, now counts over 100,000 members, and the Amalgamated Union of Co-operative Employees numbers the same membership. The above unions cater specially for shop assistants, but the clerks in all industries have been equally well organized. The Railway Clerks Association numbers over 90,000 members and works in friendly co-operation with the organizations of other grades on the railway service. The large class of clerks in commercial offices now have a trade union comprising 55,000 members, and there have been formed during the war similar unions for bank clerks and law clerks. Another class of worker which has been organized much more effectively in recent years than ever before are the teachers, who now take action on definite trade union lines.

There is another class of worker, less obviously detached from the ordinary manual worker than clerks and teachers, but who up to recent years were equally unorganized, namely, electricians, chemists, and scientific assistants in industry. These workers have in the last couple of years enrolled themselves in bodies of definite trade union character quite distinct from the old professional associations; life insurance agents numbering 100,000 have also been organized; and great developments have taken place in the organization of the employers of national and local government. In the Government service strong trade unions exist to safeguard the interests of postal employees, prison officials, and some other grades of civil servants. A great impetus was given to this movement by the recognition of the Post Office Unions by the Postmaster-General in 1906. Amongst the employees of local authorities various trade unions also exist.

Not less important than the growth in the number of trade unions or the change in the class of worker to whom the trade union movement extends is the advance in social and political

status which the official representatives of the trade union world have obtained in recent years. We saw above that up to quite recently trade unions existed largely in defiance of the law, or were granted at most a grudging and half-hearted recognition. In the course of the last couple of years trade unionism has on several occasions been granted important functions in administration by Parliament and the Government, and has now come to occupy a definitely recognized position in the administrative life of the country.

Up to ten years ago it was the exception rather than the rule for any trade unionist to be appointed on Royal Commissions or departmental commissions of inquiry, and in 1903 the Government set up a Royal Commission on Trade Disputes without a single trade unionist member. Since the Liberal Government came into power in 1906 trade unions have received more and more recognition of this kind, and at the present day no important inquiry on any subject is attempted without the presence of accredited representatives of organized labour. The custom has also grown of including trade union leaders in the Government, and many of the most important ministerial positions were held during the war by trade unionists. The large functions which were granted to the trade unions by the National Insurance Act represented a further step in the direction of the recognition of trade unionism as part of the machinery of State administration.

During the war the exigencies of the national situation made it necessary for the Government to deal directly with organized labour through the trade unions, and this direct contact in the handling of important questions did much to raise trade union status. In the administration of the voluminous emergency legislation during the war period trade unions occupied a very important part, their members being appointed to tribunals and advisory committees of every kind. In 1919 when the prime minister wished to make a series of comprehensive reforms in the terms of employment, he summoned a national industrial conference consisting of representatives of employers' associations and trade unions, and it was this body which elaborated the measures instituting a legal

maximum eight hours day and a statutory minimum wage that the Government pledged themselves to present to Parliament. All these recent developments mark a striking advance in the position occupied by trade unions in the state.

#### SECTION IV. THE CLASSIFICATION OF TRADE UNIONS

The class of workmen who are eligible for membership is not the same in every trade union. In the first place we may distinguish the craft union, which in its pure form consists of persons following a particular calling or occupation possessing in common a certain skill, and aiming in common at a certain set of conditions of employment. This was the original form which trade unionism assumed, and many instances of craft unionism are to be found at the present day, such for example as the Pattern Makers Association, the Associated Blacksmiths Society, and the Union of Plumbers and Stone Masons in the building industry. Frequently however we find associated in a single craft union a number of kindred grades all of whom are engaged in different capacities on the same craft. This is the case for instance with the boiler makers, whose union includes platers, caulkers, riveters and other sections. Thus an organization based on the craft principle may be either very narrow, confined to the workmen in one small branch of industry, or extremely wide, comprising thousands of workmen of different grades, such for example as the Amalgamated Society of Engineers. It is obvious that organization on a craft basis is liable to affect many independent industries in a dispute involving a single section of workmen. For example there are mechanics or millwrights in every industry; clerks are to be found in industries of every kind; and carpenters and joiners are occupied not only in the building industry properly so-called but also in shipbuilding and in railway engineering shops. Thus unions such as the Amalgamated Society of Engineers are composed of members who are to be found scattered through many different industries, and trade disputes conducted on behalf of such unions may involve a stoppage

by, or, at least, a serious reaction, not only on thousands of other workmen whose interests are in no sense identical with the particular crafts immediately concerned, but also on the whole population.

Midway between craft unionism and industrial unionism, which we are about to describe, is a somewhat nondescript basis of organization which may be called material trade unionism. This is a form of trade unionism which is not based upon a particular craft followed by the workman but upon the material upon which he works. Thus, for example, if all skilled woodworkers---carpenters, cabinet makers, packing-case makers, etc---were to be amalgamated into a single union, such a union might be described as a material trade union. This type of union is exemplified in the German Metal Workers Union, but so far it has not found any favour in England.

In contrast with both craft unionism and material unionism stands industrial unionism, which is based on the union of all the workmen engaged in a particular industry. Thus, if all the workmen of every grade in mines or on railways were to combine in a single union, such a body might be described as an industrial union. In recent years there has been a strong movement in the direction of industrial unionism, because it has been felt that, unless the workmen in a particular industry were united on a basis which would lead them to see that they were possessed of common interests, the ambitious schemes for obtaining control of industry, which, as we shall see, have animated trade unions in recent years, could not be realized. One advantage which industrial unionism possesses over craft unionism is that it tends to create a closer feeling between skilled and unskilled workmen in the same industry, and there is no doubt that the near future will see a strong advance in the direction of industrial unionism at the expense of the older forms of organization.

On the other hand the establishment of industrial unions is attended with certain difficulties which are more acute in proportion to the cleavage which exists between skilled and unskilled workmen in an industry. For example in the linen and textile industries there is no very sharp distinction

between the two classes of workmen, because almost every workman, although he may during the first years of his employment be technically unskilled, is practically certain to rise into the skilled ranks in the course of time; whereas, in those industries which employ small groups of highly specialized craftsmen, considerable jealousy must be overcome before the unskilled and lowly paid workmen are allowed to participate in the benefits of a trade union which derives much of its strength and more of its funds from the highly paid workmen.

Another basis of classification of unions is that of the sex of the worker. Until recently most of the highly skilled craft unions refused to admit women into their ranks, on the ground that the lower standard wages which women as a whole were willing to accept had a tendency to lower the standard of life of the men engaged on the industry. In order to overcome this objection various specialized unions consisting exclusively of women were formed; but, as we saw above, the great changes brought about by the war have to a large extent broken down the old prejudice against the admission of women; and it is safe to prophesy that in future years men and women will be admitted on an equal status into every union, although of course different regulations as to minimum wages, etc., may be laid down.

There is one type of union to which reference must be made although it has so far attained no importance in the United Kingdom, namely, "the one big union." A union of this kind aims at embracing all wage-earners irrespective of trade, craft, industries, sex or any other consideration, on the basis merely of their status as wage earners. The classic example of such an organization is the American Industrial Workers of the World, but this organization has only succeeded in fact in combining in its ranks great numbers of unskilled workmen including a large number of emigrants from Southern and Eastern Europe. Professor Hoxie says that "the first significant fact revealed by the whole history of the Industrial Workers of the World is that this body which claims as its mission the overthrow of capitalism, is pathetically weak

in effective membership, and has failed utterly in its efforts to attach to itself permanently a considerable body of men representative of any section of American workers."

## SECTION V. AMALGAMATION AND FEDERATION

### § 1. *Amalgamation*

One inevitable accompaniment of the development of trade unionism is the growing tendency for the various unions to join with one another. Such junction takes, generally speaking, one of two forms, amalgamation or federation. Amalgamation means that the combining unions are for all purposes merged into a single union, whereas federation means that, while the federated unions still maintain their separate existence, they form an independent organization to co-ordinate their activities and to aid each other when matters affecting their common interests are in dispute.

Recent years have seen a great tendency towards amalgamation. This movement towards amalgamation takes two forms—official movements, in which the executive councils of various unions meet for the purpose of achieving a closer union of affairs, and unofficial, or rank-and-file movements, in which the rank-and-file members of the different unions meet for the purpose of propaganda on the subject of amalgamation and of stirring the official bodies to action. Both movements have been conspicuous in recent years, and there is scarcely a single branch of industry in which strenuous efforts have not been made to effect an amalgamation among the unions representing the different classes of workmen engaged. In spite of this effort however less has been achieved than attempted principally owing to the existence of several difficulties in the way of amalgamation.

Until 1917 the greatest difficulty in the way of amalgamation was the legal one. Under the old trade union acts two trade unions could not amalgamate unless each in a ballot vote of its members secured a majority of two-thirds, not merely of those voting, but of the whole society. Although



this provision did not prove an insuperable barrier in the case of the National Union of Railwaymen, it created an almost insuperable difficulty in the case of other unions, and an Act of Parliament was consequently passed in 1917 providing that no amalgamation can take place between two trade unions unless fifty per cent of the members vote, and unless the proposal for amalgamation is adopted by a twenty per cent majority of those voting.

The process of amalgamation is hindered by the financial as well as by the legal difficulty. Naturally no two trade unions are in exactly the same financial condition, and a scheme of amalgamation almost invariably demands certain sacrifices by the stronger in favour of the weaker union. Of course the richer trade unions are very slow to throw in their lot and to pool their resources with those which are not in a position to give them an adequate consideration, and the difficulty of adjusting financial relations proves an almost insuperable barrier in the way of amalgamating two or more unions at the present day. Moreover, there is the official difficulty, which arises from the fact that the amalgamation of two unions in almost every case means that one set of officials can do the work previously done by two, and it is obvious that, such being the case, the whole weight of the official staffs of the unions is liable to be thrown against any proposal for diminishing their own importance and employment.

In addition to these obstacles in the way of amalgamation there are others which are still harder to surmount, arising from the fact that it is a matter of considerable doubt whether the interests of workmen in various unions are really identical, and, as Mr. and Mrs. Webb have pointed out, every widening of a union brings it into conflict with more and more rivals. It is not surprising therefore that the movement towards amalgamation has not achieved the success at which it aimed, but, at the same time, there is not the slightest doubt that it will continue, and that the next few years will see a great growth of amalgamations between different unions. Even at the present time the process of consolidation has advanced



to a considerable extent; there are for instance eight effective industrial combinations with an aggregate membership of two and a half millions; while three-fourths of the total membership of all trade unions are to be found in not more than twenty-two organizations.

## § 2. *Federation*

While the movement towards amalgamation has not been so successful as might have been expected, the movement towards federation, on the other hand, has advanced by leaps and bounds. None of the difficulties which have been described apply in the case of federation, which in its very essence leaves the original organizations independent, and simply provides a bond of union between them in so far as their interests are identical. The most effective form of union among trade unions is therefore that in which unions are left complete liberty of action in their separate interests, whereas they are assured of the combined action and support of other unions in cases where common interests are involved.

Broadly speaking, the federations which exist at the present day may be classified under three heads. In the first place may be mentioned such bodies as the Miners' Federation, which consist of localized unions each of which covers a specialized area, which is only a part of the area covered by the National Federation. In such cases there is obviously no overlapping between the unions, but simply local autonomy within the national organization. In the second place are such federations as the Printing and Kindred Trades Federation or the National Building and Trades Federation, which consist of a number of national unions which cover the same geographical area but cater for different sections of the workmen within a given industry. In this case what a federation does is to draw together on an industrial basis a number of distinct craft unions, an arrangement which does not involve any overlapping. The third class of federations are those which consist of a number of unions, many of which cater for the same class of worker and actually compete with one

another to secure members. Such, for instance, are the Engineering and Shipbuilding Federation and the National Transport Workers Federation. In such cases of course considerable overlapping and rivalry may exist.

In recent years the progress towards federation has considerably advanced, and it is probable that the institution of Whitley Councils, and of tribunals for the fixing of a minimum wage will do a great deal to emphasize the tendency by demonstrating the unity of interests.

The following table shows the extent to which federation has already reached in the United Kingdom :—

	No. of Trade Unions.	Approximate No. of Trade Unionists.	Approximate No. of Trade Unionists represented by Effective Federation or Confederation.
Coal Mining. . .	68	869,000	800,000 (Miners' Federation of Great Britain).
Transport (other than Railways) .	50	341,000	200,000 (National Transport Workers' Federation).
Building . . .	65	282,000	— (National Federation now in process of formation).
Iron and Steel .	12	120,000	85,000 (Iron and Steel Trades Confederation).
Printing and Paper	31	105,000	95,000 (Printing and Kindred Trades Federation).
Cotton . . .	25	344,000	300,000 (United Textile Factory Workers' Association).
General Labour .	15	750,000	700,000 (National Federation of General Workers).

It should be mentioned here that federations do not necessarily extend to the whole United Kingdom but on the contrary may be confined to a particular locality. On the whole, however, the tendency at the present time is for the unit of trade unionism to extend over the whole United Kingdom, although local advisory councils are frequently established for dealing with the special needs of Scotland and Ireland.

### § 3. *Other Methods of Co-ordinating Trade Union Action*

In addition to the amalgamations and federations of trade unions engaged on the same or similar organizations there are wider bodies in existence which have as their object the co-ordination of the trade union movement as a whole. Some of these are confined to districts, as, for example, the trade councils of particular cities or counties which consist of meetings of representatives of the different trade unions in those areas. Others are wider and aim at embracing the whole of the United Kingdom. At present there are three such wider bodies—(1) The Trade Union Congress, which is an annual conference of delegates from affiliated societies meeting for a week once a year to discuss various broad questions of principle affecting trade unions; (2) the Labour Party, which is a federation of trade unions, socialist and other societies, which confines itself to political questions and to the management of labour matters in the House of Commons, and, (3) the General Federation of Trade Unions, which was started in 1899 with the object of combining all labour, but which now exists in an attenuated form simply as a sort of strike insurance society. The general feeling that these national organizations were defective caused three of the largest trades organizations in the country, namely, the Miners' Federation, the National Union of Railwaymen and the Transport Workers' Federation to come together to form a great inter-industrial federation known as the triple alliance. The object of this great organization is to insure that each of its constituent parts will come to the aid of the others when trade questions of principle are in dispute, but up to the present its efficacy has not been tested in practice.

## SECTION VI. THE GOVERNMENT OF TRADE UNIONS

### § 1. *The Single Branch Unions*

The next thing to be considered is the internal government of labour organizations. This is a matter in which there has not been any striking change or development in recent years.

except in so far as the unit of organization has widened on account of the growth of amalgamation and federation. Possibly the best way to deal with this subject is to start with a description of the simplest trade union organization, and from that to work up to the more complex cases.

In spite of the progress of consolidation in recent years, there still remain many quite small unions, some of them consisting of as few as a dozen members, and possessing only a single branch. Unions of this kind are usually governed on the most democratic basis ; important decisions are come to by the whole of the members voting ; and the administration is carried on by an executive committee elected from amongst the members themselves. This committee usually consists of actual workmen in the trade, who receive no remuneration for their services to the union. As a rule unions of this type issue periodical balance-sheets, reports and statements, but do not issue any other literature. Occasionally, however, when the small local union forms part of a larger federal organization, the latter issues reports of its own which contain reports from the various single branch unions of which it is composed, and in this case it is sometimes difficult to say where a federal organization of single branch units passes into a national union with local branches.

Generally speaking, the single branch unions existing in big centres of industry are, owing to the size of their membership, in a position to play an important part in the trade union as a whole ; as examples of this type of union might be cited the London Society of Compositors with 12,000 members and the Birmingham Tinplate Workers with 2,500. Of course in the case of unions of this kind the simple democratic organization of the small single branch unions cannot be maintained, and it is usual for them to employ a staff of full-time officials, in which respect they resemble the larger national unions.

### § 2. *The Multiple Branch Unions*

It is difficult to give a comprehensive account of the national unions embracing all the workmen in the country

engaged in a single craft or industry, because, owing to the various processes of federation and amalgamation which have taken place in the foremost of such unions, an extreme variety of type exists. Possibly the best way to give some account of how the larger national trade unions are governed would be to describe three typical examples.

The Amalgamated Society of Engineers consists of upwards of 1000 branches, of which more than 300 are in the Colonies. The 700 home branches are grouped in a series of district committees of widely different importance. Thus the London District Committee includes 72 branches, Glasgow 60 branches, Manchester 49, Birmingham 32, and others, such as Norwich, only 2. Many districts, moreover, possess only a single branch, and, in such cases, this branch has the same function and powers as the district committees in the larger centres. Generally speaking, in the Amalgamated Society of Engineers, the district committee enjoys almost complete autonomy in the formation of the local industrial policy, subject to two conditions: (1) that any action which involves expenditure from the central fund must receive the sanction of the central executive, and (2) that the organization of friendly benefits is a matter entrusted exclusively to the individual branches. At the head of the whole organization stands the executive council, consisting of seven members together with a chairman and general secretary. The executive council consists of a full-time body of officers and is elected over geographical areas specially constituted for the purpose. The chairman and general secretary are elected by the vote of the whole membership, and are assisted by a staff of trained officials elected in the same way. The central organization of this society concerns itself with large questions of policy, and operates to co-ordinate the activities of the various district committees and branches.

In addition to the administrative functions of the Amalgamated Society of Engineers we must take account of the legislative and judicial functions. The legislative body, which alone has power to change the rules of the society, consists of delegates from district committees and branches which meet at long intervals. The judicial body decides questions of

difficulty or dispute arising between the executive committee and the local branches.

The second example which we shall describe is the National Union of Railwaymen, which is an industrial union. Like the Amalgamated Society of Engineers, this union consists of a number of branches which vary very much in size and influence, but the power of the central executive is very much greater than in the case of the older unions. One outstanding difference is that the National Union of Railwaymen makes no provision for the representation of districts apart from separate branches, except in so far as it recognizes district councils, which however have no executive powers and exist simply as propagandist bodies. The Executive Committee of the National Union of Railwaymen, which consists of twenty-four members drawn from various bodies and representing various grades of railway workers, is usually composed of actual working railwaymen who meet quarterly and when special emergencies arise. The Central Executive conducts all negotiations with employers, and is invested by the rules of the society with almost complete power in the framing of the industrial policy of the union. This power is limited in practice by that of the general meeting, which consists of delegates from specially constituted divisions of the unions, and which alone has the power to alter rules. Generally speaking however this union is a highly centralized body and the central executive is untrammelled by interference from the local authorities.

The third example of the large national trade unions is the Miners' Federation, which consists of a considerable number of practically independent associations, some of which are themselves federations of smaller bodies. All these organizations possess considerable power to formulate industrial policy and to conduct disputes with the employers in a particular locality, and are practically self-governing within their own area. The Central Miners' Federation is governed by an executive committee and by an annual conference of representatives from the various associations. The whole organization of the miners however is decentralized, and the

federation suffers from the fact that it has no central financial resources, except those raised for special purposes by levies upon the affiliated associations, and that it has practically no offices or staff of its own. Its president is, as a matter of fact, a full-time official of one of the affiliated associations, and its secretary is the secretary of another. In spite of these drawbacks the Miners' Federation has shown itself in practice extraordinarily strong and cohesive on large questions of industrial policy, but, of course, it enjoys exceptional advantages on account of the general uniformity between conditions of employment in the mining industry.

The short account which we have given of these three important national associations serves to indicate the general character of trade union government at the present day. Generally speaking, all large matters of policy are regulated by the central committee, which is checked in its action by the supervision of the conference of delegates from district or local bodies. In all unions we find that the smallest unit represented is the branch, which, in addition to its relations to other branches in the same union and to the central executive bodies, also occupies a position of importance in the local organization of the trade union movement, by reason of its affiliation to the branches of other organizations in trades councils and local labour parties. The development of transport in recent years has caused a complication in the constitution of branch membership, owing to the fact that so many workmen live at a considerable distance from the place where they are employed. For instance, the workmen in the east end of London who reside in the south-west are tempted by many motives of convenience to become members of the south-western branches of the union. The result of this is that many branches are composed of members who have but little interest in common, and there is no doubt that the development of this tendency operates at the expense of the solidarity of the trade union movement.

Next to the branch organization comes that of the district, which varies in importance very much in different industries. Thus, as we have seen, district councils in the Amalgamated



Society of Engineers are entrusted with the widest powers of local autonomy, whereas in the National Union of Railwaymen they are scarcely recognized at all. Akin to the district organization are the advisory councils for Scotland and Ireland which exist in some of the unions extending to the whole United Kingdom. Although such councils have no executive powers, they occupy an important place in trade union structure, inasmuch as their recommendations may influence the central executive in the determination of its policy in the areas affected by the council.

At the head of trade union organization stands the National Executive, which usually meets periodically at half-yearly or at even less frequent intervals, and which in most cases consists of members who are working at their trades. The very constitution of these bodies, taken in conjunction with the wide powers which they possess, renders it almost inevitable that they should come more and more under the control of their officials. This tendency, which is resented by many trade unionists as fostering a system of bureaucracy within the trade union movement, caused the establishment of two councils, one consisting of permanent full-time executive officials and the other of a larger number of actual working members of the trade. This idea, which has been put into practice with considerable effect in the German Metal Workers' Union, has been but slowly adopted in England; but, wherever it is adopted, division of powers takes place between the two councils, the smaller being entrusted with general matters of administration and day-to-day business, and the larger with the framing of wider questions of industrial policy and national concern. Before concluding our account of the central executive structure we should mention that there are still a certain number of the older federations which cling to the device of the governing branch or governing district, or, in other words, which draw their executive and officers, not from the federated unions as a whole, but from the members of one particular branch. This method of government is however except in the building industry, practically a thing of the past.



The very wide powers which the advancing complexity of trade union functions has rendered it necessary for the central executive to assume are held in check by various democratic devices which are calculated to insure that the general feeling of the members of the organization as a whole shall be respected. Practically speaking, the constitution of every large trade union makes provision for the assembling at least once a year of representative meetings of national conferences, which are meant to represent the views of the whole membership; and it is also a common expedient to provide that the rules of the society shall not be changed except with the consent of a delegate meeting consisting of delegates from the various districts or branches. There are still certain unions which endeavour to insure that wide questions of national policy shall be decided by the whole membership by means of a referendum, but this method of framing policy is gradually being narrowed in practice, and has been largely rendered obsolete by the increased efficiency of representative government.

### § 3. *The Shop Steward Movement*

The growth of the Shop Steward movement during the war caused an interesting development in the structure of trade unions. For many years a minor official called a shop steward existed in many unions. It was the business of this official to see that the members of the union in his shop paid their contributions up to date, and that no non-unionist was allowed to work in the shop. He was thus a minor official of the District Committee.

The new shop stewards, who were heard of for the first time during the war, are of a totally different character. This new movement originated on the Clyde. Owing to the pressure of war restrictions, official shop stewards were appointed in increasing numbers, but, side by side with these officials, there arose a class of unofficial shop stewards, appointed not by the unions but by the workmen in each shop. These unofficial shop stewards, who were regarded by the men as their legitimate leaders and spokesmen, rapidly formed themselves into

Works Committees, and elected chairmen, secretaries, and conveners. In a short time, all the workmen on the Clyde were organized under the Clyde Workers' Committee. The movement thus initiated on the Clyde spread to other parts of the country, especially in the engineering industry.

It is impossible to say how far this movement was brought about by the restrictions of war regulations, and how far by a deep-seated distrust of the trade union organization. It may certainly be said to be one of the symptoms of the workmen's desire to obtain a greater share in the control of industry. So far no general method has been devised for securing the recognition of the shop stewards committees either by the trade unions or by the employers, and the whole future of the new movement is very obscure.

#### § 4. *Trade Union Finance*

Before concluding our account of the government and administration of trade unions we must say a word about their financial resources. The principal source of income of trade unions is the direct contributions from their members; and, in spite of the fact that many of the older unions are possessed of considerable reserve funds, it still remains practically true that the majority of unions depend for the effective exercise of their functions upon the weekly payments of their members. The amount of these contributions vary very considerably according as the union is one of unskilled or skilled workmen. In the former case the general contribution is not more than threepence or fourpence a week, whereas in the latter it frequently rises to 2s. or 2s. 6d. To pass from income to expenditure, the principal distinction which can be drawn between the unions is based on whether they pay friendly benefits or not. Generally speaking those unions which impose but a small weekly contribution upon their members confine themselves to paying benefits for a much narrower range of purposes than those which demand large contributions. The skilled workmen

unions with high weekly contributions frequently perform the functions of insurance societies for all purposes, and pay benefits not only for strikes, lock-outs and unemployment, but also for sickness, accident, old age, funeral, legal aid, emigration and other purposes. The question of the value of such additional benefits and of such a widened scope of functions of trade unionism will be discussed in a later section. Next to benefits the principal outgoings of the trade unions consist of management expenses, and here again we find that the amount spent varies directly in proportion to the skill of the workmen who compose the union. Although the unskilled unions can afford to spend but a comparatively small sum per member on managerial and organizing work their expenditure upon these purposes is in far higher proportion to their total receipts than that of the highly skilled craft unions. The disproportion between the amount spent by the skilled and unskilled unions on managerial and working expenses is strikingly shown by the following tables :—

## UNSKILLED WORKERS' UNIONS

Name of Union.	Total Expenditure, 1913.	Expenditure on Management, 1913.	Proportion of Total spent on Management, 1913.	Expenditure per head, 1913.	Expenditure on Management per head, 1913.
	£	£	per cent	£ s. d.	£ s. d.
Workers' Union	36,467	14,923	40·9	0 8 0	0 3 2½
National Union of General Workers . .	48,619	29,845	61·3	0 7 4	0 4 6½
Dock, Wharf, River-side, & General Workers' Union .	24,543	18,241	74·3	0 10 2½	0 7 7
National Union of Railwaymen	116,573 <sup>1</sup>	72,670 <sup>1</sup>	62·4 <sup>1</sup>	0 8 8½ <sup>1</sup>	0 5 5 <sup>1</sup>
Total . £	226,202	135,679	59·0	—	—

<sup>1</sup> The year of the amalgamation.

## CRAFT UNIONS

Name of Union.	Total Expenditure, 1913.	Expenditure on Management, 1913.	Proportion of Total spent on Management, 1913.	Expenditure per head, 1913.	Expenditure on Management per head, 1913.
	£	£	Per cent	£ s. d.	£ s. d.
Amalgamated Society of Carpenters and Joiners . . . .	237,950	41,800	17·6	2 14 3	0 9 6½
Friendly Society of Ironfounders	123,352	12,549	9·8	4 13 10	0 9 4½
London Society of Compositors	52,567	4,824	9·2	4 10 0	0 8 3½
Amalgamated Society of Engineers . . .	403,378	66,387	16·5	2 9 2	0 8 2
Steam Engine Makers . . . .	30,054	5,587	18·6	1 15 11½	0 7 8½
Amalgamated Association of Operative Cotton Spinners, etc. .	90,195	15,881	17·6	3 15 10	0 13 4
Total . £	937,496	147,028	15·7	—	—

In addition to the weekly contributions from members many of the older unions have succeeded in accumulating considerable reserve funds, which are used for emergency purposes. Here again the contrast between the unskilled and the skilled unions is very striking, but this is largely owing to the fact that the latter have been in existence for a much longer period than the former. One interesting fact should be noted in connection with these reserve funds, namely, that the unions are tending to become more and more capitalist bodies in so far as they draw dividends from industrial undertakings invested from reserve funds. Such a state of affairs must inevitably do much to break down the conception of an uncompromising conflict of interest between labour and capital in these industries. The following tables show the amount of the reserve fund and its amount per member for unskilled and skilled unions respectively in the years 1912 to 1916 :—

# UNDER THE WAGE SYSTEM

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## UNSKILLED UNIONS

Name of Union.	Membership.		Funds at end of		Reserve per Member.	
	1913.	1916.	1913.	1916.	1913.	1916.
Workers' Union	91,000	245,000 <sup>1</sup>	£ 11,743	£ 91,067	£ s. d. 0 2 7	£ s. d. 0 7 5½
National Union of General Workers . . .	134,538	133,214 <sup>2</sup>	30,298	54,644 <sup>2</sup>	0 4 6	0 8 2½
Dock, Wharf, River-side, and General Work-ers' Union . .	48,060	65,000	30,709	46,050	0 12 9½	0 14 2
National Union of Railwaymen	267,611	340,511 <sup>3</sup>	476,435	812,618	1 15 8	2 7 9

## CRAFT UNIONS

Name of Union.	Membership.		Funds at end of		Reserve per Member.	
	1913.	1916.	1913.	1916.	1913.	1916.
Amalgamated Society of Carpenters and Joiners . . .	86,972	92,575	£ 123,143	£ 232,061	£ s. d. 1 8 3	£ s. d. 1 10 1
Friendly Society of Ironfounders	26,279	27,209	77,901	143,309	2 18 4	5 19 5
London Society of Compositors	11,650	11,935	50,275	68,566	4 6 4	5 14 10½
Amalgamated Society of Engineers . .	161,055	230,231	936,233 <sup>4</sup>	1,743,554	5 16 3	7 11 5½
Steam Engine Makers . . .	16,660	21,850	128,825	200,691	7 14 8	9 3 8
Amalgamated Association of Operative Cotton Spinners, etc.	23,787	23,885 <sup>1</sup>	545,612	513,665	22 18 9	21 10 11

<sup>1</sup> Conjectural.

<sup>2</sup> These figures relate to 1915, no later figures being obtainable.

<sup>3</sup> Including members on active service.

<sup>4</sup> These figures relate to 1915, no later figures being obtainable.

## SECTION VII. THE METHODS OF TRADE UNIONISM

§ I. *Introductory*

We pass now from our description of the unions, their mutual relations and government, to that of the aims which they set out to attain and the methods by which they endeavour to attain them. In discussing the aims of trade unionism we must distinguish between the wide and vague general aims which are usually stated in the programmes of trade unions, and the narrower practical aims at which we see them aiming in actual practice. Generally speaking it may be said that the aim of trade unionism is to elevate the social position of unionists, but this wide assertion does not lead us very far unless we have some understanding of the principal methods employed to bring it into force. Mr. and Mrs. Webb draw attention in *Industrial Democracy* to the difference between the vague programmes laid down by the trade unions of fifty years ago and the more explicit statements of the trade unions of to-day. Thus as an example of the former might be quoted the aim stated by the Friendly Society of Ironfounders: "The desire of forming a bond of brotherhood and sympathy throughout the trade, in order that those who, by honest labour, obtain a livelihood in this particular branch of industry may, in their combined capacity, more successfully compete against the undue and unfair encroachments of capital than could possibly be the case by any number of workmen when acting individually." The representatives of the Amalgamated Society of Cotton Spinners provide us with an example of the other type of programme: "To secure to all its members the fair reward of their labour; to provide for the settlement in a conciliatory manner of disputes between employer and employed, so that a cessation of work may be avoided; the enforcement of the Factory Acts, or other legislative enactments for the protection of labour; to afford pecuniary assistance to any member who may be victimized."

The new unions formed in the nineties are still more explicit. Thus the rules of the National Union of Gasworkers

state that " the objects of the union are to shorten the hours of labour, to obtain a legal eight hours working day or forty-eight hours week ; to abolish, wherever possible, overtime and Sunday labour, and, where this is not possible, to obtain payment at a higher rate ; to abolish piece-work ; to raise wages, and, where women do the same work as men, to obtain for them the same wages as paid to the men ; to enforce the provisions of the Truck Acts in their entirety ; to abolish the present system of contracts and agreements between employers and employed ; to settle all labour disputes by amicable agreement whenever possible ; to obtain equality of employers and employed before the law ; to obtain legislation for the bettering of the lives of the working class ; to secure the return of members of the union to vestries, school boards, boards of guardians, municipal bodies, and to Parliament, provided such candidates are pledged to the collective ownership of the means of production distribution, and exchange ; to set aside annually a maximum sum of two hundred pounds, to be used solely for the purpose of helping to return and maintain members on public representative bodies ; to assist similar organizations having the same objects as herein stated."

The study of the proposed aims and objects of trade unions however only brings us part of the way in our inquiry ; and we can derive more useful information from a study of the actual working of the trade unions in practice. This is a subject which is liable to lead to confusion owing to the great diversity of methods employed by different unions, and we cannot do better, in order to obtain a clear view of the subject, than to follow the admirable analysis of trade union functions and methods contained in Mr. and Mrs. Webb's *Industrial Democracy*. According to *Industrial Democracy* three distinct instruments or levers with which trade unions are accustomed to enforce their regulations may be distinguished, namely, the method of mutual insurance, the method of collective bargaining, and the method of legal enactment. The actual regulations themselves which the unions seek to enforce are divided by the same authors into seven main heads—the

standard rate, the normal day, sanitation and safety, new processes and machinery, continuity of employment, entrance into a trade, and the right to a trade. We shall now say a few words about each of these three methods and seven regulations.

### § 2. *The Method of Mutual Insurance*

In one sense every activity of trade unionism might be looked on as a form of mutual insurance, because, when analysed, the action of trade unions in obtaining better wages or shorter hours for their members really means that the combined contributions of previous generations of workmen are employed to better the conditions of the present. Mutual insurance however has a more specialized significance, namely, the provision of a fund by common subscription to insure against casualties, that is to say, to provide maintenance for members who are deprived of their livelihood by causes over which they have no control.

The insurance business of trade unions falls under two main heads, provision of friendly benefits and out-of-work benefits. The provision of friendly benefits, although not an essential feature of trade union activity, is nevertheless almost invariably found to be one of the functions which trade unions undertake to perform. It is a function however which the trade union can only perform under many disadvantages.

In the first place the trade union is in this branch of its business in direct competition with the ordinary friendly societies and the industrial insurance companies, and is, from the actuarial point of view, inferior to either of these competitors. Moreover trade unions cannot be sued by their members, and a member is therefore liable to be deprived at any time of a benefit for which he has contributed possibly for many years; furthermore, the rate of contribution may be altered behind the member's back, and he may also be required to pay special levies in periods of depression when he can least afford them. It must always be remembered that the provision of insurance facilities is only a secondary function of trade unions, and



that therefore when there is a question of using the funds of the union for a strike or for any other form of industrial agitation, the rights of those entitled to benefits are frequently overridden.

In spite of these many drawbacks which are inherent in the provision of insurance benefits by trade unions, the function of transacting insurance business has never been abandoned. It is obviously advantageous for the union to have the means of increasing its funds by the receipt of members' insurance premiums which would otherwise go to other societies ; moreover the fact that the union has an arbitrary power of refusing to concede benefits to unsatisfactory members is a useful weapon in the maintenance of trade union discipline ; and, last but not least, it is advantageous for the working classes to have the opportunity of themselves doing their own insurance business.

The out-of-work insurance plays a very much more important part in trade union activities than friendly insurance, because it is a branch of insurance which is not generally undertaken by insurance companies or friendly societies. Moreover it bears a very direct relation to the industrial work of trade unions, as it has always been understood that, although a member who is out of work must endeavour to get employment by every means in his power, at the same time he must not accept employment at less than the standard rate of wages fixed by the union. In this way the power of the trade union to pay its members an out-of-work benefit so long as they cannot obtain employment at the union rates is a very potent weapon to maintain the minimum wage.

It would therefore appear that mutual insurance is not so much an end of trade union activity as a method ; and as a method it has been of great utility in periods when other methods could not be employed. Thus, during the period 1845 to 1875, when collective bargaining was scarcely admitted by the employers, and the interference of the legislature was discountenanced by economists, the trade unions attained most of their objects by means which were really forms of insurance. The specific drawback from which the method of insurance

suffers as compared with the other methods of trade unions is that it relies on a trial of strength, and leaves no room open for discussion with the employers or for compromise on disputed issues. The tendency at the present day is for this method to be more and more abandoned in favour of the methods of collective bargaining and legal enactment.

### § 3. *The Method of Collective Bargaining*

The method of collective bargaining is possibly the most distinctive method of trade unionism, because it rests essentially upon the fundamental understanding that those who have common interests are entitled to combine to make advantageous contracts. It is perfectly obvious that a group of workmen, especially if that group comprises all the workmen engaged in a particular trade, is in a very much stronger position to drive a good bargain with employers than a single individual workman who could be told to take the work or leave it.

The bargaining strength of the employer under competitive conditions is stronger than that of the workman for the following reasons, given by Dr. Hoxie in his excellent book on *Trades Unionism in the United States*: (1) because of the superior knowledge, bargaining skill and waiting power of the employer; (2) because of the lesser thing at stake with the employer, profits as against life; (3) because there is always an actual or potential over-supply of labour; (4) because the weakest employers industrially and financially are the strongest labour bargainers; (5) because the competitive strength of the labour group under individual bargaining is equal only (ultimately) or tends to be equal only to the competitive strength of its weakest member, as is illustrated by the case of ten pence and eleven men, and (6) because the full bargaining strength of the employer is bound to be exercised against the workmen under competitive conditions because of the pressure of the consuming public for cheap goods transmitted through retailer and wholesaler; and because the most unscrupulous employer sets the pace, and under capitalistic

monopoly conditions impersonality produces the same results. We might add to these another reason, namely, that, as Professor Marshall puts it, labour is a perishable commodity, which cannot be withheld from the market for any length of time. In other words, the time lost when a workman is thrown out of employment cannot be recovered.

Although the method of collective bargaining is associated with, it is not necessarily co-extensive with trade unionism, and several cases can be cited where groups of workmen have come together to make a common contract of employment without forming themselves into a union for any other purpose. However, at the present day it may be generally said that collective bargaining is never practised except through the machinery provided by trade unions.

We have used the term machinery in the last paragraph, and in doing so we have in mind the elaborate provision which has been made in the more organized trades for the settling of matters which arise between employers and workmen. There is scarcely a trade at the present day which has not some provision for the amicable discussion and settlement of differences between the employers and the trade unions of workmen engaged on it. We shall give some more detailed account of the nature of this machinery when we come to deal with the methods of settling disputes between employers and employed, but we shall content ourselves here with simply drawing attention to the fact that such machinery exists and indicating in a broad way the sort of questions which it undertakes to settle.

There is one all-important distinction which must be kept in mind, namely, the distinction between the making of a new bargain and the interpretation of the terms of an existing one. It is with regard to the latter that the machinery of collective bargaining has been found most successful. Obviously, when a complicated contract as to wages, possibly affecting many different grades of workmen, has been entered into between the employers and the trade union, all difficulties have not disappeared, and numerous questions of interpretation are sure to arise, when it comes to putting the agreement into

practice, and to applying its terms to sets of facts which may not have been clearly contemplated by the parties when it was being framed. Clearly, if such minor points of interpretation could not be settled amicably between the parties, the successful carrying on of industry would be quite impossible owing to the incessant stoppages of work which would occur. All the more highly organized trades have therefore devised the machinery of joint boards of employers and employed, frequently presided over by an impartial chairman, which are entrusted with the duty of interpreting all agreements as to conditions of work in the industry. Generally speaking, these boards have been very successful, and it is exceptional nowadays for any dispute arising out of the interpretation of an agreement to end in a strike or lock-out.

When the question is not one of interpreting an old bargain, but of making a new one, the matter is much more difficult of solution by friendly adjustment, because, very often, the parties have not any common basis of agreement to go upon as in the case of the interpretation of an existing agreement, and each side is simply endeavouring to obtain the best terms it can. However, these difficulties have not proved insuperable, and many alterations in the conditions of labour are now agreed upon by joint boards and other devices of friendly arrangement between the employers and workmen. This is a matter however which we must pass over until we come to the section dealing with the settlement of disputes.

There is one practical result of collective bargaining to which we should draw attention, namely, that it inevitably tends in the direction of compulsory trade unionism. Obviously there is nothing to be gained by a section of the workmen in a particular trade making an advantageous bargain with their employers, if the latter are free to carry on their business by the aid of non-unionists who are not bound by the terms of the agreement. In other words, the right of the workman to freedom of contract and to freedom of combination necessarily involves his right to choose whether he will or will not work with other labourers who do not take the same view of his necessities as himself. There have been numerous disputes,

often ending in prolonged and wasteful strikes, caused by the failure of employers to recognize the right of trade unionists to refuse to work with non-unionists, but at the present day the principle of compulsory trade unionism has been generally recognized. Indeed, many employers now refuse to employ non-union labour owing to the superior satisfaction which they experience in dealing with well-organized bodies of workmen, who are bound to carry out contracts entered into by their accredited representatives.

#### § 4. *Excursus on Scientific Management*

It is the importance which trade unionists attach to the value of collective bargaining that has led them to oppose "scientific management." This new conception of the management of industry comes from America, and aims at making a scientific study of the processes of production with a view to obtaining the maximum output from each workman. This study is made by means of a series of "time and motion" studies, which are directed to discovering by experiment in what circumstances a man's fullest productive capacity can be realized. Thus the workman is regarded as a machine. The consequence of this conception of industry is that the relations of the different factors of production are looked on as being regulated by unalterable scientific laws, the operation of which cannot be displaced by any bargaining between employers and employed.

It cannot be denied that the method of scientific management may be productive of great advantage to the industry in which it is employed by increasing production. It is however extremely unpopular amongst trade unionists, because it is directed altogether to attaining increased production without any regard to equitable distribution. The application of the devices which scientific management teaches to be advisable is altogether in the hands of the employer, who uses them with a view to obtaining increased profits and speeding up his workmen.

There is however a more fundamental objection urged

against scientific management, namely, that it is inconsistent with the existence of a successful trade union activity in the same industry. Scientific management postulates that industrial relations are governed by unchangeable scientific laws, whereas unionism assumes that they should be regulated according to the bargaining strength of the parties involved. Again, scientific management can be successfully conducted only on the basis of a constant change in the conditions of employment of the labourers, who must adapt their hours of work, etc., to the achievement of the maximum production, whereas unionism insists on the observance of the common rule which must be applied in all cases, regardless of the changes in the employers' needs for speeding up production. Unionists further object that scientific management tends to lower the real skill of the workman as a craftsman by considering him simply as a cog in a huge machine to be disposed of by the unfettered judgment of the employer. There is therefore a fundamental cleavage between the ideas underlying scientific management and trade unionism, the most important reason for which is that the former renders any proper system of collective bargaining impossible.

### § 5. *The Method of Legal Enactment*

The third method of trade unionism is that of legal enactment. As we have seen above, the early unions of the eighteenth century relied greatly on the protection of the law, and many of them were really defensive organizations formed in order to ensure that the legal protection afforded to the workman by the old statutes should not be relaxed. However, the triumph of *laissez-faire* ideas in the nineteenth century altered this conception of the function of unions, the workmen having come to the conclusion that it was useless to endeavour to obtain legal protection or regulation from a Parliament which was obsessed by the idea that all legal regulation was vicious and contrary to economic science. During the middle of the century therefore the methods of mutual insurance and collective bargaining were exclusively relied on, and that

of legal enactment was to a great extent forgotten. In the later years of the century however a gradual reversion to the older position was noticeable. The success of the Factory Acts and the new Railway and Merchant Shipping regulations demonstrated to the world that labour conditions might, in fact, be rendered more tolerable by the interference of the legislature; and the extension of the franchise enabled the trade union organizations to take political action, and to bring pressure to bear on members of Parliament to see that the interests of the working classes should not be neglected by the legislature. The present century has seen an unprecedented movement in the direction of recognition of legal enactment; we need only mention the National Insurance Act and the Trade Boards Act to bring home to the reader to what an extent Parliament has now undertaken to interfere in the conditions of the employment of labour. Moreover there is at the present moment a bill before Parliament providing for a universal eight-hour day and a statutory minimum wage commission. The progress of State intervention in labour affairs was signalized by the creation in 1917 of the Ministry of Labour, to which was transferred the powers and duties of the Board of Trade (Employment Department), the Trade Boards Department, the Chief Industrial Commissioner's Department, and Labour Statistics Department of the Board of Trade. The Mining Industry Act of 1920 marks a further step in the direction of the legal control of industry. There is no doubt that the trade union movement of the future will come to rely more and more on the method of legal enactment, and that the movement in this direction will be hastened by the tendency of capital to combine into such colossal units of organization as to render the method of collective bargaining comparatively useless. The growth of the huge capitalistic monopolies and trusts of recent years has rendered it absolutely essential for the legislature to interfere to check their activities at every point, including their relations with their workmen.

We must say one word on the advantages and disadvantages of the method of legal enactment as compared with that of



collective bargaining. Against it may be pleaded the inevitable slowness with which legislation progresses, especially in a country where the action of the legislature is constantly made dependent on the conversion of public opinion to a certain point of view. On this account remedial legislation at the present day is frequently delayed for many years owing to the unripe state of public opinion. Moreover, the further objection may be urged that legal regulation necessarily lacks precision owing to the fact that an Act of Parliament goes through many stages of amendment at the hands of those who are expert neither in the art of draftsmanship nor in the knowledge of the industrial conditions affected. The method of collective bargaining, on the other hand, has the advantage that the agreements come to by associations of employers and employed are drawn up by experts who have their attention riveted on every conceivable practical difficulty which can arise. As against these disadvantages from which the method of legal enactment suffers it enjoys certain advantages. In the first place it secures uniformity, or in other words, that all employers are bound by the same regulations quite irrespective of the strategical strength of the workmen's organizations which stand opposed to them. Moreover, it avoids waste and friction, inasmuch as it is imposed on the trade by an outside authority, and has not to be arrived at as collective agreements frequently have after the waste, extravagance and suffering of a prolonged strike. Lastly, it has the supreme advantage over the method of collective bargaining that it is equally powerful to protect the weak workmen as well as the strong. Indeed most of the legislation of recent years has been specially designed for the protection of workmen who were too poor or disorganized to protect themselves. The method of legal enactment has the further advantage that it aims at regulating the conditions of employment in the light of the most educated and scientific opinion to which the Government has access, and not in that of the ideals of the workmen, who, by reason of ill-treatment and under-payment in the past, are frequently but bad judges of their own interests.



## SECTION VIII. THE REGULATIONS OF TRADE UNIONISM

§ 1. *The Standard Rate*

We now pass from the three methods of trade unionism to the seven regulations which the methods are designed to enforce. The first and most important regulation upon which trade unionists have always insisted is the observance of a standard rate of wages for all the men engaged on a particular grade in a particular occupation. It must be clearly understood that the standard rate is only a minimum and is never a maximum, in other words any man who by superior skill is capable of doing superior work will obtain additional wages in excess of the standard rate. This disposes of the principal objection which is directed against the standard rate, namely, that the bad workman is paid as much as the good. This objection rests upon a fundamental misconception of what the standard rate means, and is based on a confusion between the rate of pay and the amount of pay to which the workman is entitled. Whatever element of truth is contained in this objection is caused by the fact that the workmen of various capacities are at present insufficiently graded ; but this is a difficulty which can be surmounted by the unions themselves. All that the trade unions attempt by the enforcement of the standard rate is that no workman shall receive less than what is sufficient to keep him in his accustomed standard of life ; they do not at all pretend to equalize the payment of every workman engaged on a particular grade of work.

While we are on the question of wages we must advert to the very important distinction between time- and piece-work. A workman may be paid in strict accordance with the time spent on the employer's work at so much per hour, per day, or per week, or he may be paid in accordance with the work he does at so much per piece or per unit of output. These two systems, which appear so fundamentally opposed, do really, in fact, possess a common basis. A time-work system

is never without relation to output, because an employer invariably expects a certain amount of work from the workman, whom he can discharge if this amount is not forthcoming. As it is put by Schloss, in his standard book on *Industrial Remuneration*: "Although under the method of time-wage the remuneration of the employee is fixed without any direct reference to the amount of labour which he shall perform within a given period, yet the performance of not less than, or not more than a given amount of work within a given period of time forms in many cases virtually a part of the contract between the employee working on time-wage and his employer." On the other hand, piece-work is never wholly without reference to a time standard, because it is most unusual for a union to agree to a system of piece-work which will not insure that the workman will on the average receive at least as much for his output in a given time as he would if he were receiving the normal time wages in the same trade. Moreover, it is very common for trade unions to insist that the workman shall receive at least the standard time rate without reference to output. To quote Schloss again: "In every contract for the performance of work on piece-wages the question of the time in which a given amount of output will be produced is now left out of consideration." We may mention in passing that piece-rates are not always strictly uniform. There are some agreements in which the piece-price diminishes as output increases, and on the other hand, there are cases where the piece-price increases with increased output in order that production may be still further stimulated. It is not in our province to enter into further discussion of the various methods by which wages are paid, as all we are concerned with here is to mention the fact that trade unions insist upon a standard rate of wages under whatever system they may be calculated.

It is impossible to say generally that trade unionists are in favour of piece-work or of time-work. As against piece work the objections are commonly offered that it frequently encourages workmen to diminish rather than increase output in the hope that the piece work rate may be raised, and that,

even when output is increased, the production of shoddy and scamped work is encouraged. Moreover it is felt that the system of payment by results usually leads to decrease in the control which the workmen exercise over their conditions of employment. An idea which is gaining much favour at the present time is that of collective piece-rates, namely, a system under which piece rates should be paid not to the workmen individually but to them collectively and then divided amongst them by the unions.

### § 2. *The Normal Day*

The second regulation of trade unionism which the unions seek to enforce is the normal day. The regulation that work shall not be extended beyond so many hours per day is one which is peculiar to manual workmen and even amongst them is of comparatively recent conception. During the eighteenth century working hours were tolerated and accepted which would now shock the conscience of the public, but in recent times the whole weight of the trade union movement has been thrown into the endeavour to secure diminution of the working hours. Of course, the introduction of factory work and of large-scale industry renders the adoption of the normal day more easy than it was when workmen worked in their own homes, and the very simplicity with which the normal day can be enforced in factories where a large number of workmen are employed makes it peculiarly a subject for legal enactment, as it does not depend upon the peculiarities either of localities or of individuals.

We are therefore not surprised to find that Parliament has interfered more and more in the regulation of the working day. At first this interference was confined to the case of women and children in factories, but in later years the working day for men has been also defined by law; even unskilled workmen obtained a working day of eight hours in 1889, but in this case the result was obtained not by law but by collective bargaining. In the last ten years the movement in favour of the working day has been much discussed in Parliament, and in 1919 the railway servants obtained an eight-

hour day, for which they had been struggling for many years. There is at present before Parliament a bill to secure the universal imposition of an eight-hour day in all industry.

### § 3. *Sanitation and Safety*

The third class of regulations on which trade unions insist are those dealing with the conditions of sanitation and safety in the place of employment. Obviously this is a subject which comes directly within trade union activity, because the conditions under which a man works are just as important a term of his contract of employment as the wages he receives or the length of his working day. Indeed, it may be said that a man working in a sanitary and safe factory is really receiving a higher wage than another man working at the same rate of wages in unhealthy and dangerous conditions. This class of regulations is one which cannot possibly be enforced by mutual insurance, and which can only be enforced with difficulty by means of collective bargaining. On the other hand, it lends itself particularly to the method of legal enactment, and thus we find that the first interference of Parliament in the last century with industrial matters was concerned with the conditions of safety and sanitation in factories. The code, which has come to be known as the Factory Acts, has now grown to enormous proportions, and it is safe to say that the greater part of it would never have been passed had it not been for the agitation of trade unions concerned. In other words, the legal enactment often gave effect to the provisions of a collective bargain.

Arising out of the liability of the employer to make his factory safe and healthy there arises the further liability to indemnify the workman when the latter has actually suffered damage. This brings us to the question of the employer's liability, which was denied by English law under a peculiar doctrine known as common employment, which provided that no person could recover damages which were caused by the negligence of another person in the employment of the same master. From 1875 onwards several acts were passed making exceptions to this principle, and the whole law was

placed on a perfectly simple and satisfactory basis by the Workmen's Compensation Act of 1906, which provides that any workman who meets with an accident arising out of, or in the course of, his employment shall recover compensation from his employer. The most recent development in the direction of uniform regulations for sanitation and safety is the adoption by the signatories to the League of Nations of certain international conventions on these points.

#### § 4. *The Introduction of New Processes*

The fourth class of regulations with which trade unions concern themselves is the introduction of new processes and machinery. In the early years of the last century trade unions aroused a great deal of opposition by their uncompromising hostility to the introduction of machinery into industries which had previously been conducted by hand. At the present day however trade unions are not liable to be indicted on this ground, because they show just as keen anxiety as the employer that the best and most efficient machinery should be adopted. In assuming this attitude they believe that they are really increasing the standard of life, by stimulating production, and by reducing some of the cost of production so that a greater share of the price of the goods remains available for the payment of labour. The only trouble that arises at the present day in connection with the introduction of new machinery is the failure of the employers to meet the workmens' objection to continue working at time-rates when his output is greatly increased. Generally speaking, where piece-rates are in operation the introduction of increased efficiency is welcomed by the workmen.

#### § 5. *Continuity of Employment*

The fifth regulation with which trade unions are concerned is continuity of employment. Obviously the raising of wages, the shortening of hours and the introduction of improved methods of production into industry must all prove useless to the workmen unless he has some guarantee that he will not be deprived of employment at irregular intervals. As we have

seen above, the method of mutual insurance is invoked to maintain workmen while they are actually out of employment, but the larger question of how all the workmen in a trade are to protect themselves against periods of trade depression has not yet been solved. At one time it was thought that if contracts of service were made for long periods, such as a year, the problem of unemployment might be to some extent solved, but at the present day the whole trade union movement is opposed to long contracts of service, and prefers to bargain for the shortest period possible, so as to increase its strategical position for taking advantage of increased prosperity in the industry. It has further been suggested that diminished wages during a period of depression might lead to a solution of the difficulty, but this has also been found in practice not to be of any use and has been definitely rejected by trade unionists of to-day. The more favourable remedy, however, would appear to be some system of insurance; and the principle of State insurance for the unemployed in certain industries which was partially recognized by the National Insurance Act of 1911, has been fully recognized by the Unemployment Insurance Act of 1920, which provides for the compulsory insurance against unemployment of all employed persons, with certain exceptions, the most important of which are agricultural labourers and domestic servants. During the period following the Armistice the novel principle of a Government "dole" was introduced, but it proved so unpopular in the country that it is unlikely any similar measure will ever be resorted to again.

#### § 6. *The Entrance to a Trade*

The sixth regulation with which trade unions deal is the restriction of entrance to a trade. This restriction of the numbers engaged on an industry is of course meant to secure that the supply of labour shall not exceed the demand, and that therefore some degree of continuity of employment may be ensured. In the early period of trade unionism this restrictive idea was very much to the fore, but in recent times it has taken quite a subordinate place to the device of the

common rule. The restriction of the members engaged in a trade does not generally operate to raise the wages paid. According to Professor Marshall wages can be raised by a restriction of the supply of labour only when the following four conditions are fulfilled: (1) there must be no easy alternative method of obtaining the commodity which the trade in question helps to produce, thus, for instance, it must not be exposed to foreign competition; (2) the commodity must be of such a kind that its price will rise considerably if the supply is diminished, or in other words, that a rise in price will not seriously affect the demand; (3) wages must form a comparatively small part of the cost of production, so that a rise in them will not cause a proportionate rise in price; (4) the class of workmen who have thus restricted their labour must be in a position to secure to themselves the advantage from it, which can only happen if the employers and other classes of workmen in the industry do not obtain an increased share of the price of the joint product by limiting their capital and labour. It is evident that the commodities which fulfil all these conditions are not very numerous. Moreover, the value of restriction of numbers tends to decrease according as the union embraces a larger number of unskilled labourers. Obviously when the greater part of the workmen of a country are members of trade unions the restrictions of numbers would be impossible unless a large number of workmen were to be supported in idleness.

The apprenticeship system is still maintained in the rules of certain unions, but, generally speaking, it has been relaxed and is not enforced. The great general labourers' unions of the present day make no attempt at all to limit their numbers. Occasionally the power of the trade unions to restrict the numbers of workmen is employed to prevent boy labour from being engaged on the same job that men are working on but at a lower rate. There was also a feeling until recent years that women should be excluded from trade unions, because, owing to their general willingness to work for lower wages than men, their inclusion tended to lower the standard rate, but recent years have witnessed a change of



opinion on this subject, and women are now generally admitted into unions on the same terms as men, with, of course, special provisions for their rate of remuneration. In other words two standards may be fixed for the general standard of labour. As we saw above the period of the war has witnessed an extremely wide movement towards the admission of women into trade unions of all kinds.

### § 7. *The Right to a Trade*

The seventh regulation—the right to a trade—simply deals with the demarcation of the fields within which the members of the several unions may look for employment. Naturally, the unions are jealous of the privileges and established customs of their workmen; and resent their position being weakened by the supply of labour by the members of other unions. Machinery is in many cases provided for the settlement of disputes of this kind between the conflicting unions.

## SECTION IX. THE ASSUMPTIONS OF TRADE UNIONISM

We now pass from the three methods and the seven regulations of trade unionism to the underlying assumptions upon which all trade union activity rests. This is a very important branch of the subject, because a thorough knowledge of the underlying assumptions of trade unionism is of great assistance in enabling us to understand the meaning of trade union activities and the direction in which they are tending. Roughly speaking, we may say that two devices are employed by trade unionists to attain their ends; first, the device of the restriction of numbers, and second, that of the common rule. As we saw above, the device of the restriction of numbers was formerly of far more importance than it is now. The device of the common rule on the other hand is spreading rapidly at the present day. By the device of the common rule it must not be imagined that trade unionists aim at having a general common standard for all industries. Thus there is no attempt made to fix the same minimum wage for all workmen, skilled or unskilled, in every industry in the country, nor is there any suggestion that workmen in all employments should work the same



number of hours. Trade unionists themselves would be the first to resent the suggestion that highly skilled and efficient craftsmen would be placed on the same basis of employment with unskilled labourers. What the common rule seeks to attain is that within a particular craft or a particular industry common conditions of employment shall prevail. The basis upon which the common rule is established rests upon one of three fundamental principles ; the principle that vested interests should be respected ; the principle that the supply of labour should be regulated to meet the demand ; and the principle of a minimum wage.

The principle that vested interests should be respected in arriving at the common rule was the one which generally prevailed in the early days of trade unionism ; indeed, as we saw above, most of the early trade unions were really defensive organizations, designed to protect workmen in their privileges and to resist the repeal of the old protective statutes. As trade and industry advanced however great difficulties were felt in the enforcement of this principle. For one thing, the whole economic opinion of the country was against the idea of vested interests, and moreover the growth of great new industries, employing masses of unskilled labourers, raised difficulties because there were no vested interests to be respected. Nowadays trade unions feel that the vested interest principle is out of date, and it is no longer relied upon.

The second principle upon which the common rule is sought to be attained may be called the doctrine of supply and demand. According to this doctrine, the price of labour is regulated like the price of any other commodity by the relative strength of the buyer and seller, and the efforts of the workman must therefore be directed to strengthening his bargaining position against the employer by the creation of strong unions with the largest possible fighting funds. The adoption of this principle leads to a directly opposite policy to that adopted where the principle of vested interests is relied on, because, while the former tends to aim at including within the unions the smallest number of workmen, who rely on their privileges, the latter tends to aim at including within the unions the

largest number of workmen possible so that the whole supply of labour in the market may be regulated collectively. In modern years, however, a certain revolt has grown up against too great reliance on the doctrine of supply and demand, because it has been found that this principle, while admirably adapted to skilled craft workmen, tends to press hard on the unskilled and weak workmen, who are not in a sufficiently powerful position to regulate the whole supply of unskilled labour in the market. Consequently, when questions of sanitation and safety have arisen in recent years, there has been no suggestion that they should be settled on a basis of the power of the workmen to enforce their demands by increasing their bargaining strength but, on the contrary, that they should be applied to the whole industry equally, so that the weak should profit by them as well as the strong. In more recent times the preference for reliance on uniform legislation for all classes of labour has made itself felt in the matter of hours, and in still more recent times in the matter of wages. Indeed one of the foremost activities of modern trade unionism is to obtain from Parliament a minimum wage.

During the nineteenth century it was generally believed that the enforcement of anything like a minimum wage by law was doomed to failure, because it violated the first principles of the then accepted economic science. Nevertheless the idea of the living wage was always instinctively present in the minds of the workmen themselves, and was frequently used as the measure of the wage to be fixed by collective bargaining. With the rise of a new unionism however the idea of the minimum wage definitely emerged and the right of such a wage was claimed by the miners in 1892. Mr. and Mrs. Webb, writing in 1894, welcomed the appearance of the idea, but prophesied that the introduction of the minimum wage would be only gradual and tentative. Nevertheless it has advanced in recent years. The creation of the trade boards in the sweated industries definitely recognized the principle that it is the duty of the State to fix a minimum wage for the weaker workmen, and these powers are now being extended to many industries which cannot be strictly termed

sweated. Moreover, the principle of the minimum wage fixed by law has been admitted by the legislatures of Australia, the United States, and New Zealand.

The minimum wage possesses at least one cardinal advantage, namely, that it forces the State to face the problem of the maintenance of those who are unable through physical or mental infirmity to work sufficiently to earn the minimum. At present there is a danger that the labour of such incapables may be resorted to, in order to lower the standard rate of wages ; but under a universal insistence on the minimum wage they would be bound to be maintained by public benevolence or provided with lighter and more suitable employment. The danger to which the acceptance of the principle of the minimum wage gives rise is that wages may come to be fixed without sufficient regard to the productive capacity of the workman, or the nature of his output.

We must here mention the existence of a new school of thought in the trade union world which has appeared in recent years and which marks a fundamental departure from any of the assumptions of trade unionism with which we have dealt above, which were always taken as being exclusive. The present century has seen the moving of a new spirit in the trade union world. This is not the place in which to describe the industrial organization to which certain trade unionists of the present day aspire : that will come later in the book : all we have to do here is to indicate that such ideas have crept into the trade union world. It should be mentioned however that these new ideas completely alter the functions of trade unionism in industry ; and therefore it is not strictly correct to discuss them under the heading of trade unions at all, because, if trade unionism is a technical term with a definite connotation, we must be careful not to allow it to be applied to forms of industrial organization which rest on a fundamentally different assumption. The new ideas which have grown in recent years may be held by trade unionists ; they probably aim at transforming the existing trade unions into organizations of a different character from what they are ; but we must not lose sight of the fact that they are ideas which are quite

foreign to the fundamental assumptions of trade unionism. The new leaders of the trade union movement are in many cases traitors to the movement which they control.

The new ideas to which we have referred all centre round the aspiration of the manual workmen to take some part in the control and direction of the industries in which they are employed. Such aspirations were a prominent feature of the revolutionary trade unionism of 1830-4, but after the collapse of Chartism in 1848 the existing industrial structure of capital and labour was absolutely accepted by trade unionists. As late as 1894 the Royal Commission on Labour could not find any evidence to suggest that trade unionists wished to participate in the direction of industry. The socialists in the trade union movement when they urged the socialization of industry meant simply that the existing control should pass into the hands of the State, municipalities, or consumers' co-operative movements.

The twentieth century however has seen the growth of a new ideal in the trade union world. No doubt the new popularity of the idea of producers' associations was caused by the outbreak of syndicalism in France and the United States, but it was first heard of in the United Kingdom, on the Clyde in 1905, where it was introduced by James Connolly. The idea rapidly spread and found voice in a pamphlet published in South Wales in 1912, entitled *The Miners' Next Step*, which urged the general strike as the instrument of social and industrial revolution which would place the control of industry in the hands of the manual workmen employed. The English trade union movement as a whole is so conservative that no sweeping revolutionary programme of this kind could prove acceptable to it; but, nevertheless, the new moving of thought has introduced a considerable amount of discussion in trade union and labour circles relating to the different kinds of alternative organizations of labour which may be adopted in order to weaken the power of the present capitalist system. The only practical outcome of the new ideas in the trade union world has been the Shop Steward movement, which we have already described.

## SECTION X. COMBINATION OF EMPLOYERS

We have so far confined the word trade union to combinations of workmen. The word however also includes combinations of employers. The Acts of 1799-1800 were equally directed against combinations on behalf of workmen and of employers. The law however was administered very differently with regard to the two classes of combinations ; those of workmen being frequently prosecuted and punished, and those of employers being tolerated, if not approved. This difference of treatment accorded to industrial organizations was largely accounted for by the feeling that combinations composed of working-class members might be used for revolutionary political ends.

If employers' associations have played a smaller part in the trade union movement than associations of workmen, it is not because they have been less powerful, but because their existence has been less obvious. It must be remembered that every employer is in himself a trade union, because he stands opposed to a number of workmen ; and the larger the scale of industry becomes, the larger grows the power of the employer to act as one man against the conflicting interests of many of his workmen. It is this very fact that each employer is himself a trade union that has made the existence of unions of workmen a necessity. If the demand for labour had been as weak and powerless in bargaining as the supply, individual bargains might have been relied on to produce substantially just contracts of employment ; but when, as was the case, the demand for labour was centralized in the hands of a small number of powerful units and the supply in an infinitely larger number of weak units, collective action on the part of the latter became imperatively necessary.

This naturally strong position of employers has been still further strengthened by the formation of associations of employers in each industry ; and the progress of such associations has advanced side by side with the progress of workmen's unions. Thus during the period of exceptional

trade union growth about 1870, a National Federation of Associated Employers of Labour was founded. This federation comprised in its ranks a large porportion of the great captains of industry, including many of the larger shipbuilders, engineers, textile manufacturers, iron-masters and builders, and was intended to supplement the strength of the great federations which already existed in these individual trades. Again, the 'nineties, which witnessed the rise of the New Unionism, also witnessed the growth of many powerful federations of employers. At present the employers in almost every industry and every district have organizations which are used to consolidate the forces and bargaining strength of individual employers.

These associations of employers are parallel in many respects to those of the workmen. They resemble the latter structurally in so far as they are divided into local and national organizations, and as the tendency for the workmen to unite on an industrial rather than a craft basis is usually followed by the uniting of the employers on an industrial basis also. They resemble the workmen's associations functionally by their insistence on collective bargaining and their attempts to reach a common rule for the whole trade.

In addition to these formal associations, it must be remembered that the bargaining strength of individual employers is being increased every year by the tendency of industry to come into the hands of huge trusts. These trusts, which vary from mere price agreements to complete amalgamations, are primarily devised as weapons wherewith to fight the consumers, but they prove of equal value in fighting the workmen. Generally speaking, trade unionists prefer large to small scale industries, as it is found in practice that the small employer is difficult to deal with, and that it is easier to conclude collective bargaining agreements with the owners of large industries. Even the concentration of the control of an industry in the hands of a monopoly is not unfrequently productive of advantages to the workmen, because an industry that is not harassed by competition can afford to give better terms of employment than one which is constantly striving

still further to lower the price of its output. Indeed, it is a matter of grave public danger that workmen may conspire with employers in a trust to exploit the rest of the community for their joint advantage, and there have been instances of trade unions agreeing with the employer that in consideration of higher wages being paid they would safeguard their employers' monopoly by forbidding their members to work for any new firm that might attempt to cut into the trade. "Indeed it is true now," according to Professor Marshall, "as it was in the time of the old gilds, that in a trade which has any sort of monopoly, natural or artificial, the interests of the public are apt to be sacrificed most when peace reigns in the trade, and when employers and employed are agreeing in a policy which makes access to the trade difficult, stints production, and keeps prices artificially high."

On the other hand the concentration of the control of industry into one hand enormously increases the power of the employer to withstand the demand of the workman ; and the danger of such resistance is accentuated when the industry, as frequently happens, passes out of the hands of its original promoters into those of a joint stock company, composed of innumerable small shareholders, who have no other interest in the conduct of the industry than to derive as large dividends as possible. In this case, all semblance of personal contact between employers and employed disappears, and the owners of and workmen in the industry resemble two armies of conflicting interests with no sympathy or consideration for each other. Thus it was found in Germany that the increased strength which the employers derived from organizing these businesses in "cartels" rendered the weapon of the strike so ineffective that the workmen were forced to rely more and more on political action. It must be remembered that the trust is not merely a selling monopoly with regard to the public, but that it is also a buying monopoly with regard to the supply of labour. Frequently workmen are prevented from deserting one employer in the combination in favour of another, and thus the workman's freedom of action is hampered.



The period of the war witnessed a remarkable growth of the strength of the organization of capital. While on the one hand the process of amalgamation of companies increased at an unprecedented rate, on the other hand new forms of organizations were created. The latter takes the form of agreements between groups of industries, in which the finished product of one is the raw material of the other. The principal example of the latter system of organization is the "Federation of British Industries."

Thus the tendency at the present day is for capitalists and labourers to range themselves in two hostile and mutually exclusive camps. The existence of large and highly centralized organizations of the opposing factors in industry tends to lessen the frequency of trials of strength between them on account of the colossal proportions which such trials of strength assume; but on the other hand when friendly negotiations break down and the methods of force are resorted to, the struggle is one of ever-increasing intensity and bitterness. We shall now give some account of the different methods, forcible and peaceable, which are employed to settle disputes and differences between these two great organizations of capital and labour.

## SECTION XI. MODES OF SETTLING DIFFERENCES BETWEEN COMBINATIONS OF EMPLOYERS AND WORKMEN

### § 1. *Strikes and Lock-outs*

The methods of settlement of trade disputes may be roughly classified as forcible and peaceful. The principal method into which force enters is of course the strike, with the corresponding weapon of the employers, the lock-out. It is almost impossible to draw a hard and fast line between strikes and lock-outs, as concerted action by workmen, though apparently a strike, is frequently caused by the obstinacy of employers in refusing to concede a legitimate demand, and, when this is the case, the apparent strike is really a lock-out. The difficulty of distinguishing between these two methods of action is so great



that the attempt has been abandoned by the Board of Trade, which, in its annual reports of strikes and lock-outs, has since 1894 referred simply to trade disputes. Generally speaking, it may be said that a stoppage of work, notice of which is served by the workmen, is a strike, and one in which notice is served by the employers is a lock-out. However, even this test is not conclusive, because the actual service of notice of stoppage of work is very often simply a step in a protracted discussion between employers and workmen. Possibly a better method of distinguishing between strikes and lock-outs is to inquire who is the aggressor in the dispute. If the demand for a change in the conditions of employment originates with the workmen any stoppage occasioned by the failure of the parties to agree on the demands should probably be called a strike; whereas, if the demand comes in the first instance from the employers it should be called a lock-out. Thus strikes are usually found in periods of trade progress, when the workmen are anxious to better their conditions; while lock-outs are more common during periods of depression, when employers are anxious to reduce their expenses.

The right of workmen to strike or of employers to lock out is one which is not seriously disputed at the present day. Indeed it is a logical consequence of the right to associate in protection of their interests. Nevertheless, strikes and lock-outs are such serious and drastic measures of settling differences that they should not be embarked on lightly or without serious provocation. Generally speaking, recourse to these extreme measures is only justifiable when the other party to the dispute fails to concede some demand which cannot justly be refused, and which there is no other means of enforcing. Strikes are in no case justified when they interfere with or threaten the safety of the public, and even justifiable strikes may become unjustifiable by the employment of violent measures.

Although the weapon of the strike is most frequently employed by the members of organized trade unions, this is not always the case, and, before trade unions had attained

their modern degree of development, strikes by unorganized workers were by no means uncommon. Moreover, small trade unions very frequently provide the requisite organization for strikes, which are not confined to their members, but which include all the workers in a particular trade, both unionist and non-unionist. For example, in the great London Dock Strike of 1889 the Dockers' Union increased its membership from 800 to 20,000 in a few weeks ; and during the South Wales Coal Strike of 1898 only 12,000 of the 100,000 workers on strike belonged to the union. Of course, in cases of this kind none but the unionists receive benefits out of the union funds, and the non-unionists have to rely for support on special funds created for the purpose or on public subscriptions. All that the union does is to provide the fighting organization.

It is a matter of interest to inquire how far the growth and strengthening of trade unionism tends to increase strikes in the country. The Royal Commission on Labour, which reported in 1894, expressed the opinion that the result of a widespread, well-organized system of trade unions tends to have the result of lessening the frequency but widening the area of strikes, and that this result was on the whole beneficial to society. To quote from the report of this Commission, "when both sides in a trade are strongly organized and in possession of considerable financial resources a trade conflict when it does occur may be on a very large scale, very protracted, and very costly. But just as any modern war between two great European States, costly though it is, seems to represent a higher state of civilization than the incessant local fights and predatory raids which occur in times or places where governments are less strong and centralized, so, on the whole, an occasion of great trade conflict breaking in upon years of peace seems to be preferable to continued local bickerings, stoppages of work and petty conflicts."

The extent to which the strike and lock-out are employed in modern times may be best understood by a quotation of some statistics from the last report of the Board of Trade on the matter. The following table shows the

number of trade disputes in the fourteen years, 1904-18, the number of workpeople involved, and the aggregate number of working days lost :—

Year.	No. of Disputes, beginning in each year.	No. of Workpeople involved in Disputes, beginning in each year.			Total number of working days lost.
		Directly.	Indirectly.	Total.	
1904	355	56,380	30,828	87,208	1,484,220
1905	358	67,653	25,850	93,503	2,470,189
1906	486	157,872	59,901	217,773	3,028,816
1907	601	100,728	46,770	147,498	2,162,151
1908	399	223,969	71,538	295,507	10,834,189
1909	436	170,258	130,561	300,819	2,773,986
1910	531	385,085	130,080	515,165	9,894,831
1911	903	831,104	130,876	961,980	10,319,591
1912	857	1,233,016	230,265	1,463,281	40,914,675
1913	1497	516,037	172,888	688,925	11,630,732
1914	999	—	—	448,529	10,111,337
1915	674	—	—	445,936	2,969,700
1916	525	—	—	268,376	2,581,900
1917	688	—	—	820,727	5,513,900
1918	1252	—	—	1,096,828	6,237,100
1919	1413	—	—	2,575,000	34,903,000
1920	1715	—	—	1,932,000	27,011,000

The aggregate duration of a dispute, as shown in the above table, is an estimate of the total number of working days lost in the dispute, and is ascertained by multiplying the total number of workpeople directly and indirectly involved by the number of working days from the beginning to the end of the strike or lock-out ; allowance being made for any increase or diminution in the number involved owing, on the one hand, to the extension of the dispute or, on the other, to the gradual replacement of the workpeople involved or to their finding work elsewhere. These figures, however, although they are the most accurate which can be obtained, do not show conclusively the actual working loss caused by trade disputes, as some allowance must be made for the possibility of considerable overtime work being done after the termination of the strike, and, as against that, the possibility of a permanent loss of markets owing to the stoppage. Indeed, the number of working days lost by trade disputes, formidable though it appears from the above figures, is not, in fact, so formidable.

## LABOUR ORGANIZATION

Principal Cause.	Number of Workpeople directly involved in Disputes, beginning in—									
	1904	1905	1906	1907	1908	1909	1910	1911	1912	1913
<b>Wages :—</b>										
For increase . . . . .	4,960	13,735	58,942	25,193	16,261	13,803	20,748	333,647	114,606	29,8743
For a minimum wage . . . . .	—	—	—	—	—	—	—	—	850,00	—
Against decrease . . . . .	13,643	11,422	5,399	3,849	141,646	9,755	7,154	16,28	7,967	16,356
Other . . . . .	14,180	13,580	23,592	27,016	17,982	18,470	48,572	33,288	47,847	26,916
Total : Wages . . . . .	32,783	38,737	87,933	56,058	175,889	42,028	76,474	383,215	1,020,420	283,146
<b>Hours of Labour :—</b>										
For decrease . . . . .	140	85	6,164	649	187	1,358	5,348	8,699	1,570	3,473
Other . . . . .	1,830	3,060	922	1,431	8,190	86,009	86,579	7,391	4,462	10,215
Total : Hours of Labour . . . . .	1,970	3,145	7,086	2,080	8,377	87,367	91,927	13,161	8,961	13,688
<b>Employment of particular classes or persons . . . . .</b>										
Working arrangements, etc. . . . .	6,081	6,408	4,734	13,699	11,078	13,492	114,793	32,639	34,985	53,714
Trade unionism . . . . .	7,601	5,546	6,536	11,802	12,467	8,892	62,207	68,009	42,068	20,159
Other causes . . . . .	7,925	9,377	50,750	16,439	12,218	12,935	32,777	327,588	120,924	120,470
	20	4,440	833	650	3,940	5,544	6,907	6,492	5,658	24,860
Grand Total . . . . .	56,380	67,653	157,872	100,728	223,969	170,258	385,085	831,104	1,233,016	516,037

when analysed. For instance, the total loss of time involved by stoppages during the years 1901 to 1907, if spread over the entire adult male population, would show the loss of working time to be less than one-third of a day per man per year, while even in the quite exceptionally disturbed year of 1913 the total loss estimated in the same way was not more than one day per man per year. Thus the industrial output of the country suffers more from the establishment of a single additional bank holiday than by all the trade disputes which usually occur in a normal year. The real economic damage caused by strikes is rather on account of their indirect effect on the organization of the industries involved and the reaction they cause on allied trades.

The next matter which the Board of Trade report deals with is the causes of trade disputes, and considerable information on this subject is derivable from the table on the previous page from the same report.

Another interesting matter dealt with by the Board of Trade report is the result of trade disputes. The following table shows for a period of ten years the proportion of workpeople directly involved in disputes which were from the point of view of the workpeople successful, unsuccessful, and compromised or partially successful :—

Year.	Percentage of Workpeople <i>directly</i> involved in Disputes, the results of which were—			
	In favour of Workpeople.	In favour of Employers.	Compromised or partially successful.	Indefinite or unsettled.
1904	27·3	41·7	30·9	0·1
1905	24·7	34·0	41·2	0·1
1906	42·5	24·5	33·0	—
1907	32·7	27·3	40·0	—
1908	8·7	25·7	65·6	—
1909	11·2	22·3	66·5	—
1910	16·3	13·8	69·7	0·2
1911	6·6	9·3	84·1	—
1912	74·5	14·4	11·1	—
1913	31·4	21·0	47·6	—

This table shows the existence of a general tendency towards the settlement of disputes by compromise, and also that, of the disputes that were not compromised, the pro-

portion of successful disputes generally outweighed the proportion of unsuccessful ones in years of good employment, such as 1906, 1907 and 1913 ; while the reverse is the case in the years of bad employment, such as 1904, 1908 and 1909.

These figures however cannot be taken as absolutely final. As Mr. G. D. H. Cole says : " The question whether the strike weapon is on the whole a failure or a success is really unanswerable, since any attempt to measure the actual results of strikes and lock-outs gives an entirely misleading result. A strike may fail in attaining its object immediately ; but that object may be attained shortly afterwards, perhaps by means of conciliation, as an indirect result of the strike but without recourse to a further stoppage. This does not mean that the strike has failed and that conciliation has succeeded, it means that the strength and organization among the workmen is such that the concession has been gained."

Thus, we see from the above figures that strikes and lock-outs are weapons which are very freely used in the settlement of industrial disputes. It is obvious that such a condition of affairs is most regrettable. For one thing the adoption of a forcible method by one side to a dispute invariably drives the other party to the adoption of similar methods, and thus the dispute becomes protracted and bitter. Much bad feeling is caused between employers and workmen by these periodical stoppages, and a great deal is done to increase the feeling of class hatred which is one of the most undesirable consequences of trade unionism. Moreover, as we saw above, the strike is a wasteful method, because it involves serious disorganization of industry and frequently has effects and reactions on other industries quite unconnected with the dispute. Thus the Moulders' Strike of 1919 caused very serious injury to all branches of engineering in England at a time when the industry could least afford it. The worst feature of the indiscriminate adoption of strikes and lock-outs is that they tend to substitute the rule of force for the rule of law. The time has long passed when disputes and differences between individuals were allowed to be settled by their taking the law into their own hands ; at the present day a serious

effort is being made to ensure that disputes between nations will be regulated not by the rule of the strongest but by some well-defined principles of justice ; yet industrial and economic relations are suffered to be regulated by mere brute force. The realization of these evils has inspired many thinkers in all countries to devote themselves to the discovery of some new method of settling trade disputes, and of minimizing the regrettable friction between capital and labour, which is too often only exaggerated by strikes and lock-outs. The principal methods which are suggested as offering a solution to this problem may be roughly divided into conciliation and arbitration.

### § 2. *Conciliation*

In speaking of a settlement of trade disputes by conciliation between the parties we do not refer to the methods which are employed to terminate strikes and lock-outs, but rather to the methods which have been devised to prevent them. Several industries have attempted to reduce the possibility of strikes by the creation of permanent machinery for collective bargaining between employers and workmen, the most usual form of which is a joint committee consisting of equal numbers of representatives of both sides. In dealing with this matter one fundamental distinction to which we have already referred must always be kept in mind, namely, that between the making of a new bargain and the interpretation of the terms of an existing one. It has been remarked that, in cases where the machinery for collective bargaining has broken down, this distinction has usually not been attended to, and the opinion has been expressed that it is only when the fundamental distinction has been clearly maintained that the machinery can work without friction or ill-feeling. Obviously the interpretation and application to particular instances of an agreement between employers and workmen is a matter which can be generally carried out satisfactorily by friendly discussion, whereas the alteration of the terms or conditions of a contract—in other words the redistribution of the proceeds of industry—is a matter which gives much more difficulty, and raises far



more occasions of a fundamental difference of opinion between the parties. Generally speaking, the machinery of the joint committee has been more successful in the former than in the latter case.

The earliest serious attempt to regulate the conditions of employment by a joint committee was in the Macclesfield Silk trade in 1849. The committee in this case however only lasted four years. The first successful experiment of the kind was that attempted in the Nottingham Hosiery and Glove trade in 1860. The example of this committee inspired many other trades to adopt a similar device. The Wolverhampton Building trade in 1864, the Pottery trade, the Leicester Hosiery trade, and the Nottingham Lace trade in 1868, the manufactured Iron and Steel trades in the North of England in 1869, and the Durham and Northumberland Coal Miners in 1872 set up voluntary trade boards, and their example was followed in many other industries in later years.

The scope of conciliation machinery is not equally extended in every case. Thus some boards (for example, the English Coal Conciliation Board) are confined purely to questions of general wage adjustments, while others (for example, the Building and Engineering Conciliation Boards and Joint Committees) deal also with working conditions, hours, overtime, and many other questions. It should also be noticed that, although conciliation boards are almost invariably based upon organizations of employers on the one hand and trade unions on the other, there are a few boards chosen by the direct vote of the workmen concerned whether they belong to a union or not. This is the case with some of the local boards in the Iron and Steel industry; and the same thing applies to the railways. When the conciliation boards were set up for each important railway after the disputes of 1907 and 1911 they were based upon the votes of the whole bodies of railwaymen included in the disputes. These cases however are exceptional, and, generally speaking, a trade union is the normal preliminary to a board of conciliation.

Up to 1896 this machinery for conciliation was adopted without any legislative recognition or sanction, but in that



year there was passed an Act of Parliament, largely as a result of the success which the Board of Trade had obtained by intervening for conciliation in some serious disputes during the previous couple of years. This act, the provisions of which are purely voluntary and contain no element of compulsion, enables the Board of Trade to take certain steps when any difference exists between masters and workmen in any industry. The Board may hold an inquiry or endeavour to arrange a meeting under an outside chairman between the parties, and, on the application of both parties, may appoint an arbitrator. No party however to trade disputes is under any compulsion to accept the mediation of the Board of Trade, nor to abide by any award which it may impose.

In 1911 an inquiry into the question of State Conciliation was set up, and as a result of the report of this body there was created the Chief Industrial Commissioner's Department of Trade, under Sir George Askwith. No new powers were, however, conferred on this department.

The following table shows the number of cases dealt with under the Conciliation Act from 1896 to 1913 :—

Year.	Number of Cases.		
	Total.	Involving Stoppage of Work.	Not involving Stoppage of Work.
1896	11	9	2
1897	37	23	14
1898	12	8	4
1899	11	5	6
1900	21	13	8
1901	33	20	13
1902	21	10	11
1903	17	8	9
1904	12	4	8
1905	14	3	11
1906	20	8	12
1907	39	15	24
1908	60	24	36
1909	57	24	33
1910	67	27	40
1911	92	57	35
1912	73	34	39
1913	99	53	46
Total .	696	345	351

It is not possible to give any figures of the number of cases dealt with under the act during the years of the war, but the following table shows the number of cases settled in each year under the provisions of the 1896 act, and of the various emergency acts passed in consequence of the war, which conferred exceptional powers of intervention in trade disputes on the Board of Trade :—

Year.	No. of Cases.
1914	81
1915	397
1916	1412
1917	2474
1918	3583

Out of the total of 696 cases dealt with during the period 1896–1913 there were applications from both parties in 417 of the cases, in 148 cases application was made by the work-people only, and in 45 cases by the employer only. In the remaining 86 cases no application was made by the parties.

Very frequently joint committees of employers and employed have called in the services of an impartial chairman to enable them to reach a decision on matters in dispute. Assuming that the employers and workmen have the same number of representatives on the committee, it is very usual for them to fail to agree on any point, and the whole decision of the matters in dispute is therefore left to the chairman, who is thus frequently in a position to regulate the conditions of employment for a whole industry. Clearly this is tantamount to regulation from outside, and is a step in the direction of legal regulation of industry.

The power of this impartial chairman differs greatly in different cases. For instance, in the Mining Conciliation Boards an independent chairman is only called in, when the two parties fail to agree, and has only power to decide between the rival proposals of the two sides, without being able to suggest a solution of his own, or to decide in favour of a compromise. On the other hand, in the majority of cases, all

disputes which cannot be settled by direct negotiations must be submitted to arbitration, and the decision of the arbitrator, whether it completely satisfies both sides or not, is made absolutely final under the sanction of a penalty. Again, the period when the impartial chairman appears on the scene is not the same in every case. Sometimes he is present from the beginning of the negotiation, and sometimes he is only introduced when the parties have failed to agree.

In the absence of such a chairman, whose decisions are respected by both sides, conferences between employers and employed are frequently abortive, while, even in cases where there is a chairman, his award is not binding on the parties in dispute. Negotiation consequently frequently breaks down and has no other effect but to delay the outbreak of a strike or lock-out. The frequent failure of negotiation has therefore led many people to look for some more satisfactory method of effecting settlements in trade disputes.

### § 3. *The Whitley Reports*

In 1918 the committee on relations between employers and employed appointed by the Ministry of Reconstruction prepared a report on the possible extensions of peaceable means of settlement of trade disputes by the voluntary action of masters and workmen. This report, known as the Whitley Report, makes some very important recommendations. It suggests that industries should be divided into three groups—Group A, consisting of industries in which organization on the part of employers and employed is sufficiently developed to render their respective associations representative of the great majority of those engaged in the industry; Group B, comprising those industries in which either as regards employers or employed or both the degree of organization though considerable is less marked than in Group A; and Group C, consisting of industries in which organization is so imperfect either as regards employers or employed or both that no associations can be said adequately to represent those engaged in the industry.

With regard to industries comprised in Group A, the committee recommended the establishment for each industry of an organization representative of employers and workpeople to have as its object the regular consideration of matters affecting the progress and well-being from the point of view of all those engaged in it, so far as this is consistent with the general interest of the community. The committee urged the Government of the day to propose to the various associations of employers and employed the formation of joint standing industrial councils, composed of representatives of employers and employed, regard being paid to the various sections of the industries and the various classes of labour engaged. The appointment of a chairman was to be left to the council itself. Moreover, in the case of very well organized industries the committee considered that local and works organizations should be created to supplement and make more effective the work of the central bodies. It recommended that the following proposals should be laid before the national industrial councils : (a) " That district councils, representative of the trade unions and of the employers' associations in the industry should be created or developed out of the existing machinery for negotiation in the various trades." (b) " That works committees, representative of the management and of the workmen employed, should be instituted in particular works to act in close co-operation with the district and national machinery." The committee was of opinion that it might be desirable at some later stage for the State to give the sanction of law to agreements made by the councils, but that the initiative in this direction should come from the councils themselves.

With regard to industries in Group B, the committee recommended that they should be treated as far as possible on the same lines as those in Group A, with the addition that there should be appointed on the national industrial council in these industries one, or at most two, official representatives to assist in the negotiations of the council, and continue, if it is established, to act in an advisory capacity and to serve as a link with the

Government. With regard to industries in Group C, the committee thought that the organization was such as to make the proposal for national or district industrial councils inapplicable, and it therefore proposed that the machinery of the Trade Boards Act, with which we shall deal in a moment, should be applied to these industries. In order that this proposal might produce its full benefits, it was recommended that the functions of the trade boards should be enlarged so as to enable them to deal not only with minimum rates of wages but with the hours of labour and cognate questions. It was further recommended that, when an industry in a lower group became sufficiently well organized to entitle it to inclusion in a higher group, it should receive the same treatment as the other industries in that group.

The joint industrial councils proposed by the Whitley Reports have been already adopted in many industries. The extent of the field they cover may be seen from the following list, which is taken at random from the latest published statistics of the Ministry of Labour—pottery, building, rubber manufacturing, match manufacturing, silk, furniture, heavy chemicals, tin mining. Their most interesting development, however, has been the establishment of three national councils, on which the Government as employer is represented, namely, the Admiralty, Office of Works, and Civil Service Councils. There are moreover well-advanced schemes for the setting up of councils for the administrative, technical and clerical employees in municipal service.

These councils have already performed valuable work in bringing masters and men together for a discussion of their differences, and in suggesting many reforms in the different industries with which they are concerned. They have also done most useful work in approaching the Board of Education and the local authorities with a view to providing educational facilities for the working classes. The councils have also devoted attention to the question of investigating the problems which lie before these industries, in collecting statistics, and conducting research work. District and works councils are also being established in large numbers.

The principal industries—transport, mining, cotton, etc.—have not shown any eagerness to act on the Whitley Reports; and experience so far seems to indicate that the councils will be chiefly confined to nationalized and municipalized industries and services, including those that may be effectively controlled by the Government (although remaining nominally the property of private capitalists), and by the co-operative movement; but that they will not spread to the well organized industries, to those industries in which trade boards exist, or indeed permanently to any other conducted upon a basis of capitalistic profit-making.

The Whitley scheme has been received by the representatives of organized labour with considerable misgivings. It has been objected that the control over industry conferred by it is but illusory, that it starts from the wrong end of national councils, rather than works councils, that the councils cannot really be “joint” inasmuch as they are composed of two sets of representatives with conflicting interests, and that, if the employer and worker do agree on a common line of policy, there is danger that this agreement may take the form of exploitation of the consuming public.

#### § 4. *Arbitration*

Another method which is invoked to settle disputes is arbitration, which is distinguished on the one hand from organized negotiation between trade unions and employers in that the result is not arrived at by compromise but by an outside decision, and from the legal regulation of industry, in that the award is not legally binding on either of the parties. In spite of its many obvious advantages the method of arbitration is not popular either with employers or employed. Employers object to it because it means that the method in which they are to carry on their business is decided for them by an outsider who is frequently not sufficiently acquainted with the practical and technical difficulties of the industry; while employees on the other hand object to it because they have found that the arbitrator bases his award upon funda-

mental assumptions which they do not accept. Thus, as Mr. and Mrs. Webb point out, arbitration can only be successful when certain main points are agreed upon as common ground between the parties, as for example that a fixed minimum standard of life should be regarded as a first charge upon the industry of the country, or that wages should vary with the selling price of the product. So long as fundamental points and principles of this kind are not agreed on by both sides, arbitration does not stand much chance of satisfying the parties to a dispute ; and the real value which an arbitrator performs as a rule in the settlement of disputes is in the work of conciliation. An impartial outsider, who is unaffected by any personal feeling in the matter, may do a great deal to bring the parties to a dispute together, and acting as a go-between may thus prevent them from resorting to extreme measures.

The real defect of arbitration as a method of settling trade disputes is that the award is not binding on the parties, and there has consequently been a strong tendency in some quarters in recent years to provide a machinery which would have the effect of compelling employers and workmen to submit their disputes for arbitration and to abide by the result. A lead in this direction came from the Colonies. The Industrial Conciliation and Arbitration Act of 1894 established a complete system of arbitration for New Zealand. This act provides for the incorporation of associations of employers and workmen under the name of industrial unions, and for the creation in each district of a joint conciliation board elected by the industrial unions, with an impartial chairman, elected by the board, to whom the dispute may be referred by any party. Once such a reference has been made, a strike or lock-out is illegal. If the recommendation of the conciliation board is not accepted by either party, the matter then goes before a court of arbitration consisting of one representative of the employers, one representative of the workmen, and a judge of the Supreme Court. In 1901 the law was changed to enable either party to go direct to the arbitration court without first going to the conciliation board. The judgment of the arbitration court is final and binding on both sides under



legal penalties. It is the general opinion that this act has not achieved the success which it promised, and that, while it has probably diminished the number of strikes, it has in no sense diminished constant friction between employers and employed.

The Act passed in New South Wales in 1901 omits the conciliation procedure found in the New Zealand Act, and erects courts of arbitration similar to those we have just described. The court, however, has the additional power of declaring any condition of labour to be the common rule of an industry, and thus of binding all existing and future employers and work-people. In Western Australia the New Zealand Act has been practically adopted in its entirety; and in 1904 the Commonwealth passed an act making arbitration compulsory in all disputes affecting more than one State.

The Canadian Parliament passed in 1900 a conciliation act modelled on the English Act of 1896, but in 1903 the principle of compulsion was applied to disputes on the railways. In 1907 the Industrial Disputes Investigation Act provided machinery for setting up a board of arbitration on the application of either party to a dispute in mines and other industries concerning public utilities, and further provided that the Act might be extended to other industries. It is unlawful in Canada for any employer to lock-out, or for any employee to strike, prior to a reference of the dispute to the board, or while such a reference is at hearing, but there is nothing to prevent a strike after the investigation has been heard. In France, Germany, Sweden and other foreign countries elaborate provision has been made for voluntary conciliation and arbitration but no compulsory procedure has been adopted.

### § 5. *The Trade Boards Act*

In England the principle of compulsory arbitration has not been introduced except in the case of certain industries for which wages boards have been created. In 1909 the Trade Boards Act was applied to four trades in which sweating was notoriously prevalent—chain making, lace finishing, box making and tailoring, but it has recently been extended to



other industries ; and, as we saw above, the Whitley Committee has now recommended that it should be extended to all badly organized trades, and that the wages boards should be given power to deal not only with wages but with every other condition of employment. This act, which was modelled on an act passed in Victoria thirteen years previously, does not prevent strikes or lock-outs occurring in the industry to which it is applied, but simply aims at providing a minimum wage for those workmen who are not in a position to strike successfully. Various attempts were made during the war to prevent strikes by compulsory arbitration, and the whole matter was investigated by the Whitley Committee, which reported against the adoption of the system in peace time. " We are opposed to any system of compulsory arbitration ; there is no reason to believe that such a system is generally desired by employers and employed, and in the absence of such general acceptance it is obvious that its imposition would lead to unrest. The experience of compulsory arbitration during the war has shown that it is not a successful method of avoiding strikes, and in normal times it would undoubtedly prove even less successful. . . . For the same reason we do not recommend any scheme relating to conciliation which compulsorily prevents strikes or lock-outs pending inquiry." At the same time the committee recommended the establishment of a standing arbitration council for the facilitation of the conduct of voluntary arbitration proceedings. The numerous tribunals for compulsory arbitration, which had been established during the war, were abandoned immediately on the signing of the armistice.

As the law now stands, the Minister of Labour may, if he considers that there is no effective machinery for the regulation of wages throughout a trade, and that, in view of the rate of wages prevailing in it, a trade board is desirable, make a special order with a view to setting up a board. It is open to any interested party to object and to demand an inquiry, but the Minister has complete discretion to take whatever action he thinks best, when he has heard the result of the inquiry. The trade board consists of an equal number of representatives of employers and work-people in the trade, to whom is added a

neutral chairman, and two or four persons unconnected with the trade, who are known as the appointed members. The size of the board depends upon the size of the trade. The largest of the existing boards has forty-six members and the smallest ten members, not counting the appointed members.

The board *must* fix a minimum rate or rates of wages for time work, and, where no other rate has yet been fixed, piece workmen must be paid at rates sufficient to yield to an ordinary workman at least as much as the minimum time rate. The board can fix different rates for different classes of workmen or different districts.

Another example of State interference in the determination of a minimum wage is afforded by the Coal Miners' (Minimum Wage) Act of 1912. This act established the principle by laying down a minimum scale of wages in the coal mining industry, but only for a term of years, and as an emergency measure. As Mr. G. D. H. Cole remarks: "This was a piece of emergency legislation passed as a direct result of the Miners' Strike of 1912, and not as an act of deliberate or considered industrial policy."

## SECTION XII. THE VALUE OF TRADE UNIONS

There can be little doubt that the working classes have derived substantial advantages from trade unionism. As we said in the section on collective bargaining, the individual employer enjoys a position of inestimable superiority over the individual workman in his bargaining power; and therefore the workman tends to be driven into accepting the lowest minimum wage which is sufficient to support his life and productive efficiency. In other words, as the strength of the chain is measured by that of the weakest link, the bargaining strength of the workman is measured by that of the most distressed and least independent of the workmen seeking employment. By substituting collective for individual bargaining, trade unionism corrects the downward tendency, and ensures that the bargaining power of the group of workmen shall not

be weakened by the impatience or hunger of its most oppressed member. The workmen who are organized in a trade union face the employer on a position of equality ; or, in other words, the bargaining power of the two parties is equalized. There is not the slightest doubt that the average workman would not be so well off as he is to-day if he had not organized trade unions for his protection.

The question of how far trade unionism has operated to raise wages is considered at length and with great weight in Professor Marshall's *Economics of Industry*, where it is pointed out that wages have in the past been higher in America than in England in spite of the comparative weakness of trade unionism in the former country, and that the occupations in which wages have risen most in England are those in which there are no unions. Special circumstances however render these cases exceptional, and the general conclusion arrived at by Professor Marshall is that, when other things are equal, trade unions do tend to raise wages in the industries in which they exist. The same writer however qualifies this generalization in two respects : (a) that the influence of trade unionism is negligible in comparison with the great economic tendencies of the age, and (b) that the raising of wages in one trade does not necessarily tend to a general rise of wages throughout the country. Trade unionism, however, may operate to raise the general rate of wages if certain conditions are satisfied. These conditions are, first, that the unions must aim at making business more easy and certain ; second, they must aim at raising the standard of life among the workmen of the present and the coming generation by fostering habits of sobriety and honesty, independence and self respect ; thirdly, they must aid as many as possible of the rising generation to acquire industrial skill and to join the higher paid rank of labour ; fourthly, they must strive to develop the great stores of business power and inventive resource that lies latent among the working class ; and fifthly, they must be always specially careful to avoid action by which one class of workmen inflicts a direct injury on another. In a word, the question whether trade unionism operates to increase the wages of the working

class as a whole resolves itself into the question whether unionism tends to diminish or increase production. In our opinion, the unions—in England at least—have, with a few exceptions, tended to increase rather than to diminish the volume of the wealth produced in the country. It is this connection between the activity of unionism and the progress of production that has led all the most enlightened unionists to discourage and discountenance every form of restriction of output—for example the method known as *ca' canny*.

The insistence on minimum standards of wages and other conditions of employment is advantageous not alone to the workmen employed in industry but to industry as a whole. For one thing the employer is driven to seek out the most efficient workman, that is to say the workman who, for the standard rate of wages, will exert himself to the best advantage and will produce the maximum output. This moreover reacts on the whole of the workmen employed in the trade, as the young workman knows that he cannot receive a preference of employment by offering to put up with worse conditions than the standard, but must qualify himself for preference by the acquirement of a reputation for a good character and technical efficiency. Thus the enforcement of standard conditions of work not alone insures the advantage of the best workmen, but stimulates the increased efficiency of the workman in the whole trade.

The existence of standard conditions of employment moreover makes for the increased efficiency of the managerial side of the industry by encouraging the adoption of new inventions and labour-saving devices. When the owner or manager of a factory discovers that he cannot effect any economy in the cost of production by lengthening hours, lowering wages, or crowding more operatives into the one workshop, he begins to look around for economies in other directions. Thus modern trade unionism, far from being a hindrance, operates rather as a help to the introduction of new processes and machinery. In this way trade unionism makes for the increased efficiency of industry.

Another way in which the insistence on trade union condi-

tions of employment works to increase the efficiency of industry is by eliminating the less efficient factories and workshops. Obviously when the less efficient factories are deprived of whatever advantage they may derive from sweating and otherwise ill-treating their employees, they must go out of business when faced with the competition of better equipped, better situated, or better managed businesses. Thus the activity of trade unions tends to drive the less efficient business out of action, and to make for a survival of those which are able to produce at the maximum efficiency, and which are therefore of the greatest value to the community at large.

Professor Hoxie, from whose book on American Trade Unionism we have already quoted, enumerates as follows the advantages which an employer derives from the existence of a union among his workmen : (1) The unions claim to supply the employer with a sufficient amount of high-grade labour, intelligent, self-respecting, well trained and restrained. (2) The unions claim to exercise a disciplinary control over this labour. (3) The unions claim to relieve the employer from the danger of sudden and ill-considered strikes. (4) The unions claim that they protect the employer from waste of materials, misuse of tools and machinery, sabotage and other individualistic and revolutionary methods of unorganized workmen. (5) The unions claim that agreement with them insures the employers stability of outlook. (6) The unions claim that their membership is capable of turning out a superior quality of product. (7) The unions claim that they put all the employers in the trade on an equal competitive footing, that is, they rule out the special exigencies of the particular employers and they protect fair and honourable employers from the cut-throat competition of unfair employers. There is a further way in which the unions help the employers, namely, by rendering it easier to maintain discipline over insolent or unruly workmen, who are usually forbidden by the unions to wrangle over their individual grievances with the employers. All disputes and differences must be settled through the medium of the unions.

We may mention in passing that the industries which have advanced most in the United Kingdom in the last fifty years

are those in which trade union organizations of the workmen have been most highly developed. It is impossible however to say which of these developments has been the cause of the other ; whether the industries have flourished because of the strong organization of labour, or whether that strong labour organization has been rendered possible by the prosperous condition of the industry.

There is one argument about which we should say a word, because it is so often directed against trade unions, namely, that the success of one group of wage earners in raising wages has the result simply of raising the price of the commodities they produce, and that this increased cost will be borne by the wage earners in other industries, who have to pay the increased price for the article which they purchase. This argument is only valid so long as wages cannot be increased at the expense of profits. So long as the profits of the entrepreneur of industry are above normal, the workmen may increase their share of the net proceeds of the industry, without raising the price to the consumer ; but as soon as the profits are reduced to the lowest rate at which the average business man will undertake risks, then any increase of wages inevitably results in a rise of price. Whether wages can be increased at the expense of profits in a particular time or not is a question which cannot be answered without a full knowledge of all the relevant facts ; but it is important to remember that Professor Bowley, in his recent book on the distribution of the national revenue, has stated, and apparently satisfactorily proved, that no further reduction of profits for the benefit of wages is possible in the British industry of to-day considered as a whole. If this is so—and we must assume that it is so in the absence of an authoritative and convincing refutation on the part of organized labour—then the “ vicious circle ” argument is valid to-day. It has been strikingly illustrated in practice in the case of coal.

Quite apart from its value for increasing the wages and conditions of employment of the workmen, the trade union movement has been of great service in raising the moral and social position of the working classes. It has taught working-

men the value of self-reliance and discipline, and has given them experience in the management of difficult and complicated business. Perhaps its most valuable work in this direction is its encouragement of education.

For many years the Trade Union Congress and Labour Party Conference have taken a most enlightened view of educational problems, and labour members upon public bodies have always worked for the increase of educational facilities. The higher education of the working classes is provided for, by Ruskin College, Oxford, which is under the control of representative labour leaders, and Central Labour College, which is under the National Union of Railwaymen and the South Wales Miners' Federation. The Workers' Educational Association has branches in most parts of the country, and meets with considerable support from the big trade union and labour organizations. The last of these bodies is strictly non-sectarian and non-party political, whereas the Central Labour College is professedly Marxian in character. In spite of these bodies for the provision of education, the trade union movement has in the opinion of Mr. G. D. H. Cole not yet realized the paramount importance of education in the labour movement.



## CHAPTER III

# THE ORGANIZATION OF LABOUR ON A NON-WAGE BASIS

### SECTION I. INTRODUCTION

**I**T must be obvious from all we have said above that trade unionism is a form of workmen's organization that is based on the relationship of employer and employed. All the aims of trade unionism are directed to the amelioration of the workman's position under his contract of employment ; and the methods and regulations which we have described are essentially devised to benefit the wage earner, if necessary, at the expense of his employer. In other words trade unionism assumes the existence of a wage contract, and it has always been one of its principal endeavours to keep the distinction between profits and wages clear-cut and definite, and to avoid any blurring of the line between employers and employed. As Schloss puts it : " In regard to the method of industrial remuneration trade unionism does not propose to make any change whatever in the arrangements at present prevailing." Indeed this may be said to be the feature that distinguishes trade unions from every other form of workmen's organization. It was the divorce between the craftsmen and the ownership of the means of production in the eighteenth century that rendered trade unions necessary, and it is probable that any new form of industrial structure, in which the workmen would again own the means of production, would result in the abolition of trade unionism.

It is the conviction that the wage relationship is that in which trade unionism operates with the most effect, and most naturally performs its functions, that induces all conservative

trade unionists to resist any suggestion that the wage contract should be abolished, and that the rights of capitalists and wage earners should be in any way confused. Thus, trade unionists are uncompromising opponents of any system of "home work," that is to say any arrangement, by which work is given out by the employer to be done elsewhere than in the factory or workshop which he provides. The reason of this hostility to home work is that it is impossible to secure that the normal day or the requisite conditions of sanitation and safety can be observed in the workman's own home. Moreover, these insidious efforts are not confined merely to the outworkers. The operatives employed on similar tasks on the employer's premises have to submit to reduction of wages and extension of hours, under the threat of the diversion of more and more of the business to their outworking competitors. Although this danger is practically non-existent at the present time, its memory is still alive.

In the same way the trade unionist does not favour employment under a number of small masters, but prefers a few big employers. This sounds strange to those who imagine that all the evils of the modern world are caused by the excessive concentration of capital in a few hands, and believe that it would be better if every workman were in a position himself to acquire a small business some day, and thus become a capitalist. The explanation of the trade union position however is that such promotion tends to blur the line between employer and employed, and that the true function of unions is not to help workers to escape out of their class but to raise the conditions of the working class itself. There is in addition the further consideration that large scale industries are on the whole more humanely conducted than small, and that the trade union has more influence in dealing with a few large employers than with a mass of small ones. However, it is admitted that the concentration of capital may be carried too far, and that, when an industry passes into the hands of a single powerful monopoly, trade union action is almost certainly doomed to failure. The extreme case is where the industry is taken over by the State, in which case trade union action becomes even

more ineffective. The same thing applies in a lesser degree to industries owned by local authorities.

This rooted dislike to the blurring of lines between employer and employed is also at the bottom of the trade unionist's antipathy to every sort of profit sharing. We shall deal with this matter at length on a later page.

It must further be remembered that the regulations of the relation between employer and employed is, in the opinion of the best judges, the only matter which trade unions are by their function and structure competent to control. Here we may quote the analysis of the Webbs of the decisions which make up industrial administration: "There is first the decision as to what shall be produced—that is to say the exact commodity or service to be supplied to the consumers. There is secondly the judgment as to the manner in which the production shall take place, the adoption of material, the choice of processes, and the selection of human agents. Finally, there is the altogether different question of the conditions under which these human agents shall be employed—the temperature, atmosphere and sanitary arrangements amid which they shall work, the duration of their toil, and the wages given as its reward." Briefly, the first and second of these decisions must always be made by the consumers, whether acting through their own appointed representatives or by their preferences as shown under competitive conditions; while the third class of decision forms the special field of trade union activity.

The existence of a system of employment at wages thus seems to form an essential background for trade unionism. Trade unionists may wish to abolish the present organization of industry in favour of one in which the payment of wages will play no part; and they may even hope to make the existing trade unions the units of a new social order from which the private ownership of the means of production will be banished. If, however, that day comes, the trade unions may consist of the same members that compose them now, may bear the same names, and may be administered by the same officials, but, they will have ceased to be trade unions in the technical and only correct use of the word. Trade unionism, as we have said,

depends for its very existence on the relationship between employer and employed, and on the continuance of a system of remuneration by wages.

Trade unionism therefore assumes the existence of the wage system. This, however, is by no means the only system on which industry can be organized. On the contrary, recent years have witnessed much serious discussion and many actual experiments of alternative methods of industrial remuneration. It is not our intention to tread on controversial ground by suggesting reasons why the labour world has grown increasingly discontent with the existing system; sufficient to say that the desire to overthrow that system is becoming more intense every year. It is therefore important that we should give a short account of the proposed substitutes under which labour would be organized upon a non-wage basis. We shall first of all deal with profit-sharing, next with co-operation, and finally with the more revolutionary organization of industry known as collectivism, syndicalism, and gild socialism.

## SECTION II. PROFIT SHARING AND COPARTNERSHIP

### § I. *Definitions*

The least revolutionary and the simplest suggestion for surmounting the difficulties created by the wage system is that of profit sharing. Industries conducted on a system of profit sharing would continue to be based on a capitalist foundation, and the only change from the present system would be that workmen would secure some share of the profits in addition to their wages. The employer would not be in any sense abolished, but would simply receive a smaller share of the profits than before. Various schemes of profit sharing have been proposed in recent years and it is these schemes which we are now about briefly to describe.

The International Congress of Profit Sharing held at Paris in 1889 adopted the following definition of profit sharing :—

“ The International Congress is of the opinion that the agreement, freely entered into, by which the employee receives a

share, *fixed in advance*, of the profits, is in harmony with equity and with the essential principles underlying all legislation.”

This definition is amplified in the report on profit sharing and labour copartnership recently issued by the Ministry of Labour, where the term profit sharing is given the following meaning :—

“ For the purposes of the present report the term ‘ profit sharing ’ has accordingly been used as applying to those cases in which an employer agrees with his employees that they shall receive, in partial remuneration of their labour, and in addition to their wages, a share, fixed beforehand, in the profits realized by the undertaking to which the profit sharing scheme relates.”

It is difficult to say where the line should be drawn between profit sharing and labour copartnership, or indeed in what precisely the difference between these two forms of remuneration consists. Generally speaking however it may be said that labour copartnership implies that the workmen have not only a share in the profits, as they have under profit sharing, but in addition have some measure of control over the industry. The following definition of copartnership issued by the Labour Copartnership Association in 1919 may be taken as the most correct definition available :

“ The copartnership of labour with capital is capable of many modifications according to the needs of varying industries, and in some one of them it is applicable to almost every industry where labour is employed. In its simplest form, taking the case of a man employed by a great limited liability company, it involves :—

- “ 1. That the worker should receive, in addition to the standard wages of the trade, some share in the final profit of the business, or the economy of production.
- “ 2. That the worker should accumulate his share of profit, or part thereof, in the capital of the business employing him, thus gaining the ordinary rights and responsibilities of a shareholder.”
- “ 3 That the worker should acquire some share in the control of the business in the two following ways :—

“(a) By acquiring share capital, and thus gaining the ordinary rights and responsibilities of a shareholder.

“(b) By the formation of a Copartnership Committee of workers, having a voice in the internal management.”

## § 2. *Statistics*

The progress made by profit sharing and copartnership in the United kingdom in the last fifty years and the position to which it has advanced to-day may be judged from the following table :—

Year.	Total Number of Schemes started in each year.	Number of Schemes that have now ceased to exist	Number of Schemes in operation at 31st October, 1919.	Proportion of Existing Schemes to total started.
1829	1	1	—	Per cent. Nil.
1865	6	5	1	16.7
1866	6	5	1	} 15.4
1867	4	4	—	
1868	1	1	—	
1869	—	—	—	
1870	2	1	1	} 18.2
1871	2	2	—	
1872	4	4	—	
1873	2	2	—	
1874	2	1	1	
1875	1	—	1	
Total : 1829-1875	31	26	5	16.1
1876	3	2	1	} 42.9
1877	—	—	—	
1878	2	—	2	
1879	—	—	—	
1880	2	2	—	} 36.4
1881	3	2	1	
1882	2	1	1	
1883	3	2	1	
1884	3	2	1	
1885	—	—	—	

Year.	Total Number of Schemes started in each year.	Number of Schemes that have now ceased to exist.	Number of Schemes in operation at 31st October, 1919.	Proportion of Existing Schemes to total started.
				Per cent.
1886	6	4	2	14·7
1887	6	6	—	
1888	6	6	—	
1889	18	13	5	
1890	32	29	3	
1891	16	14	2	18·5
1892	17	15	2	
1893	6	5	1	
1894	6	3	3	
1895	9	7	2	
1896	6	4	2	17·4
1897	3	3	—	
1898	3	3	—	
1899	2	1	1	
1900	9	8	1	
Total : 1829-1900	194	158	36	18·6
1901	4	2	2	48·0
1902	4	2	2	
1903	6	2	4	
1904	5	2	3	
1905	6	5	1	
1906	4	1	3	70·9
1907	9	5	4	
1908	16	1	15	
1909	16	4	12	
1910	10	5	5	
1911	8	1	7	82·3
1912	18	2	16	
1913	15	2	13	
1914	18	5	13	
1915	3	1	2	
1916	4	—	4	100·0
1917	5	—	5	
1918	6	—	6	
1919 (10 months)	29	—	29	
Total ..	380	198	182 <sup>1</sup>	47·9

<sup>1</sup> Including six schemes which are described as "suspended."



Two matters in this table call for comment. In the first place it is noticeable that the number of schemes started show very great variations from year to year, and that the popularity of the system seems to have increased for certain periods of three or four years, during which a great number of schemes were started, the impetus then dying down and the movement remaining practically stationary for many years. It will be noticed that the years 1889-1892, 1908-9, 1912-14 and 1919 were the periods of maximum activity, and it would appear that these periods coincided with periods of good employment and of industrial unrest.

The second matter which calls for comment is the large number of schemes which have ceased to exist. Out of 380 schemes which are known to have existed no less than 198 have come to an end. An analysis of the reasons which caused the abandonment of these schemes is interesting as throwing a certain amount of light on the factors which have made for failure. In 13 cases the cause of abandonment is unknown ; in 24 cases the abandonment was due to such causes as the death of the employer or his giving up business ; in 49 cases the abandonment was due to want of financial success, losses, diminution of profits, liquidation or dissolution ; in 12 cases the schemes were abandoned from miscellaneous causes ; and, finally, in 91 cases the lack of success of the schemes can be attributed to the dissatisfaction of the employers or of the workpeople with their results. In 77 of these cases, in which the abandonment of the scheme is attributable to the dissatisfaction of those engaged on it, the abandonment came from the employers' side, in 13 cases from the employees' side, and in one case from both sides together. Contrary to what one might expect, the war has caused the abandonment of practically no scheme of profit sharing, although it has undoubtedly prevented the establishment of many new ones ; and the only department of profit-sharing schemes in which the war has exercised an adverse influence is that which was looked upon in peace time as most favourable ground for the growth of this system, namely, the manufacture of gas. The reason of this adverse effect on the gas industry is that the gas com-

panies were obliged, like everybody else, to raise their charges, but that they were unable to increase their dividends, owing to the fact that their dividends are automatically reduced by law with every increase in the price of gas.

The following table shows the duration of the abandoned schemes :—

Less than 1 year in	7 cases	}	Total : 4 years or less, 76 (or 41 per cent).
1	15		
2	19		
3	20		
4	15	}	Total : 5-15 years, 78 (or 43 per cent).
5-7	24		
8-10	28		
11-15	26	}	Total : over 15 years, 30 (or 16 per cent).
16-20	14		
21-30	13		
31-42	3		

Although profit sharing has achieved its greatest success in gas undertakings it has been applied to many other kinds of industry. The table on opposite page shows the number of schemes which have been started and the number surviving or abandoned in each group of trades.

The reason why the gas industry occupies a position of such prominence is that it is carried on, under very special conditions, including : (1) local monopoly ; (2) a growing and assured demand ; (3) the strict regulation of the dividends payable under the sliding scale system under which most of the larger undertakings are worked ; and (4) that persons employed in gas works who break a contract of service can under certain circumstances be punished by fine and imprisonment.

The following table shows the size of the firms in which profit sharing was practised :—

Having not more than 25 employees	Per cent.
Having more than 25 but not more than 100 employees	6
Having more than 100 but not more than 250 employees	24
Having more than 250 but not more than 1000 employees	23
Having more than 1000 employees	27
	20
	<hr/>
	100

Nature of Business.	Number of Schemes.			Number of employees in Surviving Schemes so far as returned.	
	Started.	Aban- doned.	Sur- viving.	No. of Firms to which Returns relate.	Employees.
Agriculture . . . . .	23	15	8	7	1,267
Building trades . . . . .	14	11	3	3	203
Chemicals, soap and candle manufacture; oil, paint and varnish manufac- ture; brick, lime, pot- tery, and glass trades .	22	9	13	12	16,478
Clothing trades . . . . .	16	11	5	3	661
Electricity undertakings .	2	—	2	2	303
Food and drink trades (manufacture) . . . . .	34	18	16	13	7,792
Gas undertakings . . . . .	40	4	36	35	33,528
Metal, engineering and shipbuilding trades:—					
Metal . . . . .	13	8	5	4	7,776
Engineering and ship- building . . . . .	31	17	14	11	81,497
Mining and quarrying . .	6	5	1	1	11,232
Paper, printing and allied trades:— . . . . .					
Paper making . . . . .	6	2	4	4	1,125
Printing, bookbinding and stationery . . . . .	38	25	13	12	5,583
Textile trades . . . . .	25	8	17	17	24,157
Transport trades . . . . .	4	2	2	1	192
Woodworking and furnish- ing trades . . . . .	10	9	1	1	60
Merchants, warehousemen and retail traders . . . .	58	33	25	23	23,237
Banking, insurance and other financial businesses	5	—	5	5	24,325
Other businesses . . . . .	33	21	12	10	3,634
Total . . . . .	380	198	182	164	243,050

The next thing we must consider is in what way the share of the profits allocated to the employees is paid. The following tables show the manner of payment in the existing schemes of profit sharing. The first table includes all schemes, whereas the second includes all schemes except gas companies.

APPENDIX A (i)—EXISTING SCHEMES OF PROFIT SHARING OR LABOUR COPARTNERSHIP, SUMMARIZED BY (a) FORM OF BONUS PAYMENT, AND (b) PERIOD IN WHICH STARTED.

How Bonus is Paid.	Schemes Started.							Total.
	Up to and including 1880.	1881-90.	1891-1900.	1901-05.	1906-10.	1911-15.	1916-19.	
C. . . . .	5	6	6	6	10	26	28	87
W. . . . .	2	1	2	—	7	4	2	18
P. . . . .	1	1	1	—	—	1	3	7
S. . . . .	—	—	1	—	7	2	5	15
C.P. . . . .	—	4	1	1	1	2	2	11
C.S. . . . .	—	—	—	2	—	—	2	4
W.S. . . . .	—	—	1	1	5	3	—	10
P.S. . . . .	—	1	1	1	1	—	—	4
S.W. . . . .	—	—	—	—	5	6	—	11
S.P. . . . .	—	—	—	—	2	3	—	5
Miscellaneous	—	—	1	1	—	3	—	5
Not known .	—	1	—	—	1	1	2	5
Total .	8	14	14	12	39	51	44	182

APPENDIX A (ii)—EXISTING SCHEMES, CLASSIFIED AS ABOVE (excluding Gas Companies' Schemes).

C. . . . .	5	6	6	6	9	26	28	86
W. . . . .	2	1	2	—	7	4	2	18
P. . . . .	1	1	1	—	—	1	3	7
S. . . . .	—	—	1	—	2	—	5	8
C.P. . . . .	—	4	1	1	1	2	2	11
C.S. . . . .	—	—	—	2	—	—	2	3
W.S. . . . .	—	—	—	—	—	—	—	—
P.S. . . . .	—	—	1	—	—	—	—	1
S.W. . . . .	—	—	—	—	—	1	—	1
S.P. . . . .	—	—	—	—	—	—	—	—
Miscellaneous	—	—	1	1	—	3	—	5
Not known .	—	1	—	—	1	1	2	5
Total .	8	13	13	10	20	38	44	146

## EXPLANATION OF ABBREVIATIONS USED IN ABOVE TABLE

- C. = paid in cash.  
W. = credited to a savings or deposit account from which deposits can be withdrawn at short notice.  
P. = paid to a Provident or Superannuation Fund.  
S. = invested in the capital of the undertaking.  
C.W. = paid partly as C. and partly as W.  
C.P. = paid partly as C. and partly as P.  
C.S. = paid partly as C. and partly as S.  
W.P. = paid partly as W. and partly as P.  
W.S. = paid partly as W. and partly as S.  
P.S. = paid partly as P. and partly as S.  
S.C. = paid as S. for a prescribed period or until employee has a prescribed holding, then partly as S. and partly as C.  
S.W. = paid as S. for a prescribed period or until employee has a prescribed holding, then partly as S. and partly as W.  
S.P. = paid as S. for a prescribed period or until employee has a prescribed holding, then partly as S. and partly as P.  
P.S.C. = portion of bonus paid as P. and remainder as S.C.

It must not be understood however that the mode of payments is as simple as would appear from the above tables, because within each division there are innumerable subdivisions. For example the first division, namely, payments in cash, includes all the following diverse methods of payment.

- (a) Bonus paid in cash.
- (b) Bonus paid in cash, but employees may leave bonus on deposit with the firm.
- (c) Bonus paid in cash, but special facilities given to employees to subscribe for shares in the employing company.
- (d) Bonus paid in cash, but employees have the option of taking part of their bonus in shares.
- (e) Bonus paid in cash, but employees reserve right to pay in the form of shares in the business.
- (f) Bonus paid in cash, or may be invested in a Provident Fund established by the firm, at option of employee.
- (g) Bonus paid in cash, or credited to trustee account for purchase of shares, at option of employee.
- (h) Bonus takes the form of interest on deposits, varying with the rate of dividend on capital; this bonus is

paid in cash, unless the employee prefers to leave it on deposit with the firm.

- (j) Bonus takes the form of dividend on shares issued gratuitously.
- (k) Bonus is that portion of the dividend on shares held by employees which represents the advantages given by the firm to employee-shareholders over shareholders among the general public.

The predominance of the cash bonus payment appears strikingly from the above tables. Cash bonus schemes form fifty-nine per cent of the total number of schemes, other than gas company schemes, now in existence. The next largest group is that in which the bonus is paid into a savings or deposit account from which sums can be withdrawn at short notice. If these two classes or schemes are united it will be found that they amount to seventy-one per cent of the total number of profit-sharing schemes now in existence. On the other hand, if the gas companies are not included, the number of schemes in which the whole or part of the bonus is accumulated for investment is extremely small.

A valuable lesson as to the merits of the various methods of payment of the share of profits may be derived from a study of the type of payment which has predominated in the abandoned and surviving schemes respectively. The proportion of cash bonus schemes amongst the abandoned schemes is even greater than amongst the existing schemes, amounting to seventy-seven per cent. On the other hand, the schemes in which the bonus is paid into a savings or deposit account from which the sums can be withdrawn at short notice show a marked superiority in vitality. Another type of scheme which has a favourable record in this respect is that in which the profit-sharing bonus is given in the form of shares or retained by the employer for investment in stocks or shares. There are in existence fifteen schemes of this kind, while only two have been abandoned. It would seem therefore that cash bonus schemes are less likely to succeed than investment schemes.

The next thing to consider is the amount of the benefit which employees have derived under profit-sharing schemes. Some of the old-established schemes have distributed very large sums. The South Metropolitan Gas Company has paid over £770,000 in bonuses during the last thirty years; Messrs. Lever Brothers have distributed over £700,000 in ten years; Messrs. J. T. and J. Taylor, Ltd., have paid over £330,000 in bonuses; and Messrs. Clarke, Nicholls and Coombes, Ltd., have distributed in twenty-nine years a sum of £270,000. These cases are however quite exceptional and, generally speaking, it is found that the amount which the employees derive under profit-sharing schemes is so small as to be almost negligible. The following table shows the ratio of the bonus to wages during the period 1901 to 1918 from which it appears that the average amount of profits distributed to the employees has only been five and a half per cent of their annual wages:—

Year.	Number of schemes to which the particulars relate.	Number of Employees.		Average Ratio, taking into account the number participating (or entitled to participate) in each case.
		Participating (in cases where a bonus was paid).	Entitled to participate (in cases where the bonus was <i>nil</i> ).	
				Per cent.
1901	54	11,816	1,703	5.0
1902	53	12,343	2,276	5.9
1903	50	13,067	1,790	6.8
1904	52	16,341	1,959	6.5
1905	52	16,942	1,641	6.5
1906	58	17,922	1,936	7.1
1907	55	18,921	2,005	6.0
1908	62	34,059	1,847	4.5
1909	71	38,881	1,935	4.8
1910	86	50,461	2,017	5.0
1911	100	51,443	3,300	5.5
1912	104	55,257	4,083	5.8
1913	113	59,975	4,174	5.9
1914	121	67,771	2,107	6.7
1915	90	63,488	1,117	5.3
1916	94	45,440	19,920	4.6
1917	94	49,206	19,163	5.3
1918	93	35,153	29,777	5.1
Average for 1901-1918 }	78	36,583	5,709	5.5



The following table shows the actual cash value of the bonus in the year 1918, from which it appears that the average amount per head only reached the trifling sum of £3 13s. 3d.

Group of Trades, and Number of Schemes covered.	Number of Employees participating (or entitled to participate).	Total Amount of Bonus.	Average Bonus per Head.
		£	£ s. d.
Chemicals, oils, etc. (5) .	2,393	30,509	12 15 0
Food and drink (10) .	3,622	43,396	11 19 7
Gas (31) . . . . .	22,447	24,985	1 2 3
Engineering, etc. (6) .	15,004	34,415	2 5 10
Printing, etc. (10) . .	3,870	29,461	7 12 3
Textile (9) . . . . .	5,784	52,254	9 0 8
Merchants, etc. (15) .	6,959	67,817	9 14 11
Insurance, etc. (1) . .	18,500	Nil	Nil
All other Groups (18) .	3,254	16,891	5 3 10
Total (or average) (105)	81,833	299,728	3 13 3

It is not fair of course to condemn profit sharing simply because of the small sum which it succeeds in giving to the workmen, because the system has other aims as well as that of increasing the amount of the employees' annual remuneration. For one thing it has valuable results in educating the workmen in the commercial and financial aspect of the business. Most of the principal firms which have adopted profit-sharing have a general meeting of the employees once or twice a year, at which the business is discussed in the same way as it is at a shareholders' meeting, with the difference that the employees meetings are usually much more fully attended than those of shareholders and that the discussion is far more practical and to the point. Profit sharing, or rather labour copartnership, further aims at giving the employees some control over the conditions of their employment. Practically all the profit-sharing gas companies and a large number of other firms have copartnership committees, which are primarily set up to administer the profit-sharing schemes, but which also have generally other duties such as supervising the working of pension schemes, of provident clubs, or of matters relating

to the improvement of factory management. It has been the general experience that the success of these committees varies directly with the amount of responsibility with which they are entrusted.

### § 3. *Details of Profit-sharing Schemes*

We shall now give a short account of some of the principal undertakings in which profit sharing is practised. As we said above, the principal industry in this connection is the manufacture of gas, and we shall first of all give an account of the pioneer profit-sharing gas industry, namely, the South Metropolitan Gas Company. This company first adopted a scheme of profit sharing in 1889 in order to deal with the difficult situation which had been created by the action of the newly formed National Union of Gas Workers and General Labourers. In order to avoid a strike which might plunge London into darkness the chairman of the company, Mr. (afterwards Sir) George Livesey, proposed the following scheme of profit sharing. All shareholders were allowed to receive a dividend of 10 per cent when the price of gas was not above 3s. 6d. per thousand cubic feet, and an additional dividend of  $\frac{1}{4}$  per cent for each reduction of 1d. per thousand cubic feet in the price of gas; the plan proposed was to give the employees 1 per cent on the year's wages for every 1d. reduction below 2s. 8d. per thousand feet. The price in 1889 was 2s. 3d. In addition there was to be placed to the credit of every workman who accepted the scheme a sum equal to what he would have received as bonus if the scheme had been in force during the three previous years, this sum amounting to 9 per cent on wages. In order to qualify for participation in the scheme the workman was obliged to sign an agreement himself to work for the company for twelve months at the current rate of wages, the company agreeing to employ him during that period, and also undertaking that no reduction in wages would be proposed.

Over one thousand of the company's employees immediately signed this agreement, but this number only included three of the stokers. A meeting was therefore held between the directors and representatives of the workmen who had signed

agreements, as a result of which many concessions were made in the scheme. The company withdrew the clause under which any man was to forfeit his bonus if he struck ; they agreed to allow the bonuses to be paid in cash ; and provision was made for winter men, that is to say, those who are employed only during the time of maximum pressure in the winter. The Gas Workers' Union would not however accept this amended scheme, and shortly afterwards over two thousand men came out on strike. The company filled the places of the strikers, and the new employees accepted the scheme, which, with modifications, has been in operation ever since.

Various alterations were made in 1894 and 1898, the effect of which was to give improved terms to those who left half their bonus for investment in the company's capital. Employees could also leave the withdrawable part of the bonus on deposit with the company at interest, and could invest this and their own savings in the company's shares. By a further revision of the scheme in 1901 the starting point of the bonus scale was made 3s. 1d. instead of 2s. 8d. and the bonus was fixed to be paid in future at one uniform rate, namely, three-fourths of 1 per cent of wages for every reduction of one penny in the price of gas below 3s. 1d. ; By a later revision of the rules in 1910 it was provided that half of the bonus was to be invested in the company's stock and that the other half was to be left in the company's hands to accumulate at interest, or that it might be invested in stock with the trustees, or withdrawn under special circumstances by giving a week's notice.

One important feature of the Gas Company's scheme was the establishment of the copartnership committee which now consists of sixty members, thirty being elected by the Board of Directors and thirty by the profit sharers. Candidates for this committee must hold and continue to hold not less than £25 of stock, and must have been not less than five years in the company's service. During the war the number on this committee was temporarily raised to 82, so as to include representatives of the large number of women workers who were taken on. The functions of this copartnership committee are

to smooth away friction which may arise between individual workmen and their employers, and in certain cases to discuss matters affecting the employees' conduct as a whole. The committee has so far worked smoothly and without difficulty.

In 1898 employee-directors were elected for the first time. The number of these directors is not to exceed three, of whom one shall be a salaried officer, and the other two employees in receipt of weekly wages. The qualification of an employee director is twofold. He must have been continuously not less than fourteen years in the employment of the company, and must have held for not less than twelve months prior to the date of the election a minimum of £120 stock of the company accumulated under the copartnership scheme.

In the twenty-nine years from 1889 to 1917 the total amount paid as bonus under the scheme was £771,804, the ratio of bonus to wages varying from  $2\frac{1}{4}$  per cent to  $9\frac{3}{4}$  per cent. No bonus was paid in either of the years 1918 or 1919 owing to the rise of the price of gas over 3s. 1d. Altogether 5400 of the company's employees held between them ordinary stock of the company to the amount of £425,000 in their own names, and in addition the trustees held £27,000 on behalf of 6590 employees, and further, the company held on behalf of 1800 of its employees deposits to the total amount of £70,000.

Profit-sharing schemes found in industries other than the gas industry fall into three groups: (1) Saving or deposit schemes, (2) share-holding by employees, and (3) other schemes including cash bonus schemes. We shall describe one typical example of each of these classes of scheme.

The principal example of the savings or deposit scheme is the firm of Armstrong, Whitworth and Co., Engineers, Ordnance Manufacturers and Ship Builders, Newcastle-on-Tyne and Openshaw. This scheme was started in 1878 by Sir Joseph Whitworth, who told his workmen that, if they liked to invest part of their wages in the firm, he would act as their savings bank, and would give them the same dividend that he got on his own capital. In 1896 the business of Sir Joseph Whitworth was amalgamated with that of Sir W. S. Armstrong, Mitchell and Co., Ltd., and the profit-sharing scheme was slightly

modified into the form which it has maintained until the present day.

Under this scheme deposits of not less than one shilling and not more than one pound of the depositor's weekly wages are received each week, the maximum amount which may be deposited being £200; in the case of officials paid quarterly these amounts are raised to £2 a week and £400 respectively. The deposits carry a fixed interest of 4 per cent and in addition a bonus is declared each year equal to half the difference between this fixed rate and the dividend payable on the shares of the company, but so that interest and bonus together shall not in any case exceed 10 per cent. Interest and bonus are added to depositors' accounts unless they give notice to withdraw in cash. Deposits are withdrawable at short notice.

The total amount of bonus paid in 1918 was £17,187; and the total amount on deposit with the company was £581,908. This scheme has always worked without any friction, and is generally admitted to have been a great success.

The best known example of the second type of scheme, namely, shareholding by employees, is that of Lever Bros, Ltd., the well known soap manufacturing company. This scheme was introduced in 1909, and has since undergone several modifications. The scheme in operation at present provides that, after payment of preference dividend and a dividend of 5 per cent upon the ordinary shares, any further sums proposed to be distributed by way of dividend are to be applied in the payment to the trustees of the copartnership trust of a dividend at the rate of 5 per cent per annum upon the preferential certificates of the trust. The surplus profits are then divided between the holders of ordinary shares and the trustees of the copartnership trust in proportions laid down by the Articles of Association.

The conditions upon which partnership and preferential certificates are issued are as follows. Every director and every employee of over twenty-two years of age of good character, who has served the company for four years, and who has agreed to be bound by the provisions of the scheme and to undertake not to waste time, labour, materials or money in

the discharge of his duties, may have issued to him from time to time partnership certificates. The issue of partnership certificates to the directors is made in accordance with the directions of Lord Leverhulme, and the issue of certificates to the employees is determined in the first instance by the trustees subject to an appeal to a specially constituted committee and in the final resort to Lord Leverhulme. The amount of the partnership certificates must at no time exceed £1,000,000.

Partnership certificates are cancelled if the holder is in the opinion of the trustees guilty of neglect of duty, dishonesty, intemperance, immorality, wilful misconduct, inefficiency, disloyalty or breach of the partnership agreement. The certificates are also cancelled if the employee retires from the employment of the company voluntarily and not owing to ill-health, if he dies, or if he attempts to alienate the certificates. When partnership certificates are cancelled for any other reason than that of breach of the partnership agreement or voluntary retirement from the company, or in the event of the holder of such certificate dying leaving a widow, then the holder or his widow as the case may be is entitled to receive from the trustee a preferential certificate in exchange for the partnership certificate. Nominally the amount of the preferential certificate is to be either ten times the average dividend paid in respect of the partnership certificate during the three preceding years or the same nominal amount as that of the partnership certificate, whichever shall be the less. The preferential certificates are cancelled if the holder dies or if he enters into any other employment without the consent of the trustees, or if the holder attempts to alienate the certificate, or is guilty of dishonesty, intemperance or misconduct, or, being a widow, remarries.

The dividends on the partnership certificates were originally credited to the person entitled to receive them in a savings bank account, but they are now paid in the form of 5 per cent cumulative preferred ordinary shares which the holder can sell at any time for cash at par value if he desires, but, so long as the shares are held by the copartner to whom they



were originally issued, they also participate further in profits to the extent that they yield the same rate of interest to him as that enjoyed by the ordinary shareholders. The committee consists of three persons nominated by the persons constituting the management class, three nominated by the persons constituting the salesman class, three nominated by the persons constituting the staff class, and three nominated by the holders of the preferential shares. This committee practically decides who are to receive partnership certificates. Once admitted to copartnership employes receive further certificates each year until they have reached their maximum holding which ranges from £200 to £3000 according to their annual earnings. The following table shows the number of co-partners during the years 1914 to 1917 :—

	1914.	1915.	1916.	1917.
Port Sunlight . . . . .	2,308	2,939	3,047	3,542
Associated Companies :—				
In the United Kingdom . . . . .	617	647	1,044	1,381
Abroad . . . . .	495	672	830	960
Total . . . . .	3,420	4,258	4,921	5,883

The number of copartners on the 1st January, 1919, was 6068, and in December of the same year 6990. The total number of employes at Port Sunlight was 8833 in January, 1918, so that about 40 per cent of the total number of employees at Port Sunlight were copartners. The following table shows the nominal value of copartnership and preferential certificates outstanding in the years 1915 and 1919 :—

1st January, 1915 . . . . .	£ 442,695
" 1916 . . . . .	509,213
" 1917 . . . . .	610,213
" 1918 . . . . .	751,536
" 1919 . . . . .	928,833

A good example of the third form of profit-sharing scheme now in existence, namely, the cash bonus scheme, is that of the British Cyanides Company. This scheme was put into



operation in 1917. The bonus fund consists of a sum equal to  $2\frac{1}{2}$  per cent on the total of wages and salaries for every 1 per cent free of income tax when the shareholders' dividend exceeds 6 per cent also free of tax. When the shareholders' dividend therefore is 10 per cent the employees' bonus is the same. Above this level the employees' bonus is at the rate of 1 per cent on wages and salaries for every 1 per cent free of tax distributed as dividend. Bonuses to individual employes are paid in cash, and are paid, not in a lump sum, but at weekly intervals during the year following that in which the profits were made. An important feature of this scheme is the consultative committee, which consists of nine members, including the managing director of the company, the works manager, two members elected from the staff of the company, four elected from the workmen, and one foreman. It is provided that regular meetings shall be held between the directors of the company and the consultative committee. It is the opinion of the company that the consultative committee has been the greatest possible success, and has minimized friction in the carrying on of the business.

#### § 4. *Criticism of Profit Sharing*

In spite of the high ideals which have inspired the founders of many of the profit-sharing schemes which we have described, and of the enthusiasm which the system has excited amongst many social reformers, it must be evident from the statistics which we have given that the part played by profit sharing in the industry of to-day is extremely limited. Nor do we see any reason for believing that the system will be widely extended in the future. Whether profit sharing is or is not the ideal solvent of our labour problems is a matter upon which we need not enter here, because, reasonably or unreasonably, rightly or wrongly, the principal parties concerned in the carrying on of industry, namely, the employers on the one hand and the trade unions on the other, have quite definitely made up their minds that the disadvantages of profit sharing more than outweigh the advantages.

The objection of the employer to profit sharing is not unnatural. He who provides the capital necessary for the carrying on of business, and who alone risks anything in the event of failure, looks upon the profits of the business as the legitimate reward for his enterprise. The workmen receive a certain and fixed payment every week, whether the business succeeds or fails, and it is not altogether unreasonable for the employer to object to their sharing in his prosperity while they refuse to help him to bear his loss. The advocates of profit sharing reply that the employer receives more than an adequate consideration for his parting with a portion of his profits by the increase in the efforts of the workers which is brought about by their desire to produce as large a profit as possible. But the employer replies to this that stimulated production can be more cheaply obtained by the payment of piece rates, that under a profit-sharing scheme the lazy and incompetent worker derives benefits from the skill and eagerness of his energetic fellow-workmen, and finally that in actual practice the promised increased efficiency is not realized. Numbers of employers who sent returns of their experience to the Ministry of Labour stated that, while they found that the adoption of a profit-sharing scheme operated to stimulate the workers at first, this increased efficiency was not maintained.

The workmen are no less hostile to profit sharing than the employers. It is felt that, far from uniting and reconciling the interests of capital and labour, profit sharing creates innumerable new points of disagreement. As Schloss puts it : " Profit-sharing schemes contain the germ of the old dispute of how much the workman is to get, and how much the master, and the contest over this is simply transferred from the trade in general to the firm in particular." The acerbity of dispute between employer and workman under profit-sharing schemes is frequently increased by the fact that the latter are expressly forbidden by their agreement to have any resort to the law for the recovery of this part of their remuneration.

The trade unions further complain that in many schemes

the employer takes too large a share of the profits before any right of participation by the workman is admitted. Thus in almost every case a certain rate of dividend—frequently a very high rate—on invested capital is deducted before the amount of divisible profits is arrived at ; while, in a number of cases, provision is made for further deductions from the net profits before the participation of the employés begins. Frequently sums are set aside for reserve funds, and for depreciation. It is felt by the workmen that the employer is able to “ cook ” his accounts by allowing too large a sum for such items as depreciation and bad debts, and that the amount returned as divisible profits is in many cases smaller than it should be. In some cases the employees are kept in the dark as to the various calculations by which their share of profits is estimated, and they feel that they have to take a great deal too much on trust. There is the further consideration that the amount of profits depends to a large extent on the efficiency of the management, and that, as this is a matter over which the workmen can exercise no control, they are liable to have their annual incomes decreased through no fault of their own.

It must not be concluded that these objectionable features are present in all or even in a majority of profit-sharing schemes. On the contrary in most cases the interests of the employees are carefully safeguarded. It is the fact that they do exist in certain schemes which renders the workmen suspicious of every scheme. It must be understood that we are not pronouncing any judgment upon the justice or injustice of the workmen's objections, but are merely stating that they do in fact exist.

The more essential ground however on which organized labour bases its opposition to profit-sharing is that it threatens to destroy the solidarity of trade union action, and to fetter the independence of the individual workman. As we saw above, trade unions do not favour long contracts of employment. Profit sharing on the other hand always makes continuity of employment a condition of participation in benefits. Thus many schemes provide that no workman shall be entitled

to a share in profits unless he has been in the employment of the firm for many years, and others provide that the rate paid shall vary directly with the length of service. According to the figures in the Ministry of Labour report, the length of service required varies from four weeks to five years, but is usually either six or twelve months. Moreover it is impossible in the nature of things for the amount of profits to be estimated except at fairly long intervals—usually yearly or half-yearly—and of course the employee who leaves his employment before the end of that period sacrifices his share of profits. Many schemes provide that the bonus shall not be paid in cash, but shall be invested in the workman's behalf in some provident or pension fund, and, frequently, it is provided that the workman can derive any benefit from that fund only so long as he remains in the employment of the firm. All these conditions are felt by trade unionists to hamper the freedom of the individual workman to an extent which renders effective labour organization impossible. We must again insist that we are not to be taken as approving of all these objections on the part of labour, or of accepting all the assumptions on which they are based ; our sole object is to state that they exist, and that their existence, whether justifiable or not, renders any widespread adoption of profit sharing improbable.

Formerly there were two other very important objections to profit sharing, but these have now ceased to exist. It used to be said that employers made use of profit sharing in order to induce their workmen to accept less than the standard rate of wages. The report of the Ministry of Labour however found that this was the case with only one firm in 1919. It used to be also objected that employers made it a condition of participating in profits that the employee should not join a trade union. Such a condition is nowhere to be found to-day, but, on the other hand, there is still commonly to be found an almost equally objectionable one, namely, that any employee who strikes shall be deprived of his share in the profits. Obviously such a condition as this strikes at the very basis of trade union strength, and it is not surprising that the

trade union movement views the profit-sharing schemes with considerable suspicion. According to Sir William Ashley: "Profit sharing and trade unionism rest on two mutually exclusive principles, and involve two incompatible policies."

We must not be taken as agreeing with these views expressed respectively by employers and workmen. We simply record them, because they are of very great importance in arriving at an opinion as to the probable future of profit sharing in industry. Obviously the question whether a system is good or bad in itself is of secondary importance beside that of whether it is acceptable or not to those who are most interested in making it a success or a failure. So long as employers on the one hand and organized labour on the other continue to regard profit sharing as they do at present, it is clear that the sphere within which the system can operate with advantage must remain extremely limited. These difficulties could not however blind us to the essentially high ideals of those who have attempted to substitute profit sharing for the wage system. The really properly thought-out scheme of profit sharing does tend to create a community of interest between employer and employed, inasmuch as each is looking for his remuneration to the same fund, which he will therefore do all in his power to augment. Moreover, the existence of difficulties in the way should not prevent, though it may discourage, those who believe in the virtues of profit sharing from pursuing their path. The best way to remove the suspicions of organized labour is to demonstrate by example and experience that they are unfounded.

### SECTION III. CONSUMERS' CO-OPERATION

The next method of organizing industry on a non-wage basis which we shall consider is co-operation, which is looked on by a very large number of people as the industrial method of the future. We must in the first place clearly distinguish between consumers' and producers' co-operation, the latter alone of which promises to abolish the wage relationship.

The consumers' co-operative movement has for its aim the uniting of purchasers of certain commodities into societies so that they may purchase their goods as far as possible at cost price, and thus eliminate the profits of the middle man and other distributors, which operate greatly under the competitive system to increase the price of goods. In one sense such co-operative societies are not workmen's organizations at all, because there is no reason why they should be confined to the wage-earning class. On the contrary, most of the English societies admit as members any person, quite irrespective of whether he is a workman or not; and there are many small co-operative societies whose membership is composed exclusively of middle and upper-class consumers. Roughly speaking, however, the consumers' co-operative movement may be said to be a working-class movement, because the vast majority of its members do in fact belong to the working classes, and, as we shall see in a moment, the movement shares many of the aspirations and ideals of trade unionism; and on more than one occasion the two movements have lent active assistance to each other.

The consumers' co-operative movement then may be roughly said to be a working-class movement, but it does not follow from this that it in any way solves the difficulty of the relations between capital and labour which we are discussing. Many of the consumers' co-operative societies, notably the Co-operative Wholesale Society, are themselves large manufacturers of the commodities which they distribute through their branches and amongst their own members, and in this capacity they employ labourers in the same way as any capitalistic producer. Moreover, on their retail side they employ great numbers of shop assistants, messengers and other workmen. It is quite true that the co-operative societies are very largely model employers, and they lead the way in granting concessions to their workers, and in recognizing trade unions. In addition, a great many of them have established schemes for sharing their profits with their employees by means of a bonus on wages; these schemes however are hard to distinguish from the ordinary profit-sharing schemes in capitalist industries.

The essential fact remains that the workmen engaged in co-operative societies are just as much employees as those employed by private capitalists, and that on many occasions they have had to take a strong line of action in order to have their demands conceded. The very fact that there are special unions provided for the employees of co-operative societies proves that the consumers' co-operative movement does not in any way pretend to solve the difficulties of the relations of employer and employed. In the words of Schloss: "What the co-operative movement has done is, in the main, not to make it possible for workmen to be their own employers, but to enable a large number of working men to become the employers of a small number of working men."

Even the half measure towards control by the workmen, namely, profit-sharing, has not found favour with the consumers' co-operative movement. During the middle of last century the distributive societies continued to be animated by the democratic ideals of the founders of the movement, and there was some attempt made to share the profits of the enterprises with those employed in them. In recent years, however, the number of co-operative societies which practice profit sharing is diminishing. The number of the co-operative retail distributive (store) societies at the end of 1918 was 1384, of which only 103 or about  $7\frac{1}{2}$  per cent gave any share in profits to their employees. Particulars of these societies are given in the table on the next page.

Two facts appear prominently from these statistics: first, that the number of co-operative societies practising profit sharing has notably decreased during the last ten years, and second, that the amount of the bonus paid by the co-operative societies is even less than in the case of 'ordinary capitalist schemes.

In the wholesale societies profit sharing is at present unknown. The English Wholesale Society in 1918 employed 3796 persons in its distributive and 17,366 in its manufacturing departments, and the Scottish Co-operative Wholesale Society employ nearly 10,000 persons, but both refuse to allow their workmen to participate in their profits. The English society



practised a profit-sharing scheme from 1873 to 1886, and the Scottish society from 1870 to 1915, but both schemes have been abandoned, and at the present day the employee of a co-operative society is for all practical purposes in precisely the same position as an employee in any capitalist industry. It must further be remembered in considering the value of the co-operative movement to solve the labour problem that it is

### RATIO OF BONUS TO WAGES IN PROFIT-SHARING RETAIL DISTRIBUTIVE (STORE) SOCIETIES, 1911-1918.

*(Compiled from Returns made to the Co-operative Union, to the Ministry of Labour, and to the Chief Registrar of Friendly Societies.)*

Year.	Number of Societies sharing Profits at end of year.	Number of Profit-sharing Employees at end of year.			Ratio of Bonus to Wages and Salaries.		
		Distribu- tive Depart- ments.	Pro- ductive Depart- ments.	Total.	Distribu- tive Depart- ments.	Pro- ductive Depart- ments.	Both Depart- ments. together.
Average of 1901-10	220	13,212	2,506	15,718	Per cent. 5·1	Per cent. 5·0	Per cent. 5·1
1911	192	14,410	3,086	17,496	4·4	4·5	4·4
1912	185	13,816	3,029	16,845	4·4	4·5	4·4
1913	179	14,324	3,107	17,431	4·4	4·5	4·4
1914	176	14,761	3,225	17,986	4·5	4·6	4·5
1915	167	15,866	3,270	19,136	4·3	4·3	4·3
1916	142	14,629	3,272	17,901	4·6	4·4	4·6
1917	137	15,255	3,103	18,358	4·0	3·7	3·9
1918	103	14,428	3,150	17,578	4·0	3·4	3·8

extremely limited as to the range of its operations. So far it has been successful principally in the trades concerned with furnishing the common articles of daily use in working and middle-class households, but it would clearly be impracticable in the case of industries such as transport, mining and engineering, where the consumers could not possibly exercise any effective control.

The consumers' co-operative movement, however, does in some ways help the cause of organized labour. For instance,

it frequently helps trade unionists during periods of strikes. During the Northumberland Coal Miners' Strike in 1912, when the Northumberland Miners' Union was reduced to the point at which it was unable to disburse any further strike pay, the Co-operative Wholesale Society Bank immediately made an advance of £70,000. Again during the great Dublin strike of 1913 the Co-operative Wholesale Society materially aided the strikers by sending food supplies and other assistance. The suggestion has been made, but it has not been carried into practice, that co-operative associations should purchase no goods which do not bear a trade union mark. In these ways the two movements occasionally help each other, but of course this does not establish their identity of purpose.

Attempts have been made in recent years to effect a working agreement between the trade union and co-operative movements, but so far without success. An attempt which was made to unite the Co-operative Congress, the Trade Union movement and the Labour Party broke down some years ago owing to the reluctance of many co-operators to take part in political affairs. In many districts joint conferences between local co-operative associations and trade unions are held, and the movements exchange fraternal delegates at their annual congresses, but, generally speaking, there is no very close or defined relation between the two movements. The consumers' co-operative movement does not therefore offer any solution of the labour problem of the day, as it is concerned simply with distribution, and with the elimination of the middleman's profit, and does not in any way touch the difficult questions of the relations between employers and employed. In other words consumers' co-operation aims at abolishing profit on price but not profit on production. Finally, the scope of consumers' co-operation is extremely limited, as it cannot be adopted for the supply of many of the most important commodities and services which the consuming public requires.

We must not be taken as belittling the value of consumers' co-operative organizations, which have performed most invaluable services to the working class, and to the public.

For one thing they have succeeded in eliminating the element of profit on price by distributing it amongst the consumers. In this way profiteering is impossible on the part of co-operative societies, because the profit, whatever it is, goes into the pockets of the consumer, and not of the private trader. The consumers' co-operative movement has moreover demonstrated the fallacy of the old argument that the best brains would not be attracted into business unless they were encouraged by the prospect of unlimited profits. The managers and other officials of the co-operative movement have been remunerated, not by enormous profits, but by fixed salaries, and nobody will deny that the co-operative stores have been managed with at least as much ability as the average retail business. Finally, the movement has been of great educational value, in affording groups of working men the opportunity of directing business, and, incidentally, in demonstrating to them the complexity and difficulty of modern commercial management.

#### SECTION IV. PRODUCERS' CO-OPERATION

Having made it clear that, in speaking of co-operation as a possible method of organizing industry upon a non-wage basis, we do not refer to the consumers' co-operative movement, we shall now give a short description of the movement to which we do refer, namely, the producers' co-operative movement.

We must carefully distinguish between true co-operative production and production by a number of individual producers who form co-operative organizations for buying and selling. Many apparently independent producers who work on their own account, do not obey any master, and receive no wages, are really as much working for the profit of other people as if they were ordinary wage-earners. They must buy their raw materials from and sell their finished product to capitalist concerns, and the profit which they derive for their exertion is frequently reduced below a just amount by the pressure on both sides. It is to resist this pressure that such independent producers form themselves into co-operative

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societies for the purchase of raw materials and the selling of their finished products.

Many remarkable successful examples of this class of co-operative society are to be found in France. The basket makers of Villaines formed a co-operative society for the marketing of their products in 1849, which has survived to the present day, and now numbers one hundred and fifty members. Each member owns his own tools and produces whatever quantity of baskets he pleases, but the baskets must be made according to the standard demanded by the committee of the co-operative society. There are also many successful societies of this kind in Germany; and the well-known agricultural co-operative societies in Ireland are of the same nature.

These societies perform an extremely useful function, and should be encouraged wherever individual small scale production remains possible. They are not, however, examples of true co-operative production, because the tools and raw material are not owned by the group of workmen, and many of the individual members of the societies are themselves the employers of a few workmen. True producers' co-operation is only found in cases where the producers combine together, not merely to purchase materials or to sell the product, but also to manufacture collectively for the common account, and jointly to own both the materials and the instruments of the manufacture.

This type of organization has inspired a great deal of enthusiasm during the last century, and examples of it are to be found in almost every country. The principal practical objection which has been urged against it is that the manual workmen who combine are not able to finish the requisite capital or the skill necessary for managing the business. This obstacle however is not insurmountable, because, as it is replied by the advocates of co-operative production, the capital can be borrowed at interest, and the skill hired at a salary. The payment of interest and salaries no doubt lessens the amount distributable among the co-operative group, but the fact remains that the whole surplus profit, after these pay-

ments have been made, is divided amongst the workmen and not, as at present, amongst capitalists. Before attempting to pronounce any opinion on the possibilities of co-operative production, we shall give a short account of the principal examples of it which have existed in recent years.

France has at all times been the principal home of co-operative production. In the years following 1830 a few workmen's associations were founded, owing to the influence of Fourier's teaching and of Buchez' practical propaganda. The principal of these, composed of skilled carpenters and cabinet-makers, came to an end in a few months; but another composed of jewellers lasted under one form or another until 1896. Louis Blanc was the real pioneer of producers' co-operation in France. After the Revolution of 1848 about two hundred working-class associations were established, of which about seventy or eighty would appear to have been genuine associations of producers. A large State subsidy for the foundation of these societies was granted, but it was apparently misapplied, as not more than forty-one associations derived any actual benefit from it. These associations were not unsuccessful, but the career of many of them was cut short after the *coup d'état* of 1851, after which all associations of the kind were declared illegal, and were suppressed by the police. A certain number seem however to have escaped this persecution; in 1854 thirty-one still survived, in 1868 twenty, in 1887 seventeen, and in 1908 three societies celebrated their diamond jubilee. An examination of the history of the capitalist enterprises started at the same time would probably show no better vital statistics. The years 1863-9 saw a further growth of self-governing workshops, about forty being founded in 1863 alone. Banks were founded to provide capital for these associations, but the failure of these banks in 1868 had a very serious effect on the whole movement. In 1880 a philanthropist, Benjamin Rampal, bequeathed £25,000 to provide capital for co-operative associations of workmen, and many new enterprises were started under this encouragement. In 1881 the municipality of Paris offered special terms to such associations in connection with municipal contracts, and in 1888

the Government did likewise in connection with Government contracts. In 1893 the Government instituted a small subsidy or a loan at the low rate of two per cent to such associations. The amount granted annually in this way is about £15,000. In 1914 there were about five hundred co-operative associations of producers in existence, with about twenty thousand shareholding members and twenty-five thousand operatives, and an annual turnover of about £3,000,000.

The first thing that strikes one about the French co-operative schemes is that they have extended to large scale industry. They have practically all been confined to industries in which labour forms the principal item in the cost of production. The next thing that strikes one is that these associations are extremely unstable; they grow up and disappear in a day, and far more have been abandoned than have survived. Moreover, they depend to a large extent on outside assistance. Most of them would never have been founded had it not been for the Rampal bequest, or the cheap Government loans, and they are incessantly seeking preferential terms for municipal and Government contracts. The extent to which the French societies have been established and maintained by the public authorities has resulted in their being moulded into a stereotyped form which does not admit of any development to meet the needs of a changing situation. Thus nine out of twelve of the directors of these associations must be either working men employed in the business or working elsewhere at the same trade. No provision is made for the equal distribution of profits, with the result that many of the members of the associations have become practically small masters. Indeed, the principal objections urged against the co-operative productive movement by the French socialist party is that it enables the more energetic and enterprising workmen themselves to become employers. The producers' co-operative movement in Belgium has to a large extent followed that in France. In 1848-9 a number of producers' co-operative societies were founded in Brussels, Liège, and Ghent in the printing, shoemaking, cabinet-making, cigar-making and tailoring trades. Most of these societies died in a couple of years, but one

of them still survives, namely, "l'Alliance typographique," which however is at the present day practically an association of small masters. The years 1865-9 saw the institution of a fresh crop of co-operative production societies, in imitation of the French societies founded during those years; most of these associations were short-lived, but a small number survive to-day, amongst others l'Imprimerie Bruxelloise, the Bookbinders of Helles, the Tailors of Ghent, and the Confectioners of Brussels. The years 1885-93 were notable for the establishment of a great number of small associations of co-operative producers, most of which failed to survive more than a few months. At the present time the principal Belgian co-operative associations of producers—such as the Co-operative Builders and the Co-operative Textile Mill—are really directed by the consumers' societies.

Although the foundation of producers' co-operative societies was more recent in Italy than in France or Belgium, their progress has been more rapid. We hear of a Glassworkers' Producers' Society at Altare in 1853, and of a Co-operative Pottery in Imala in 1873—both of which still exist—but the real beginning of the producers' co-operative movement in Italy dates from the years 1883-9. Many of the associations founded in these years perished in a few months, but others have survived to the present day. In 1910 there were in Italy 518 associations of producers, of which 360 furnished returns to the statistical authorities. The latter totalled a membership of 51,477, with a capital of £370,000, and a reserve fund of £72,000. Most of these associations were small, and confined to a particular locality, but a few of them had attained to large dimensions.

The most important of the Italian producers' associations was the Workers' Federal Glass Factory, which was founded in 1903 with a capital of £880. Within three months from its foundation this society numbered 500 members, with a capital of £3600; and in 1914 it produced no less than 60 per cent of the total amount of glass manufactured in Italy. Its works were well equipped, and it maintained the friendliest possible relations with the trade unions of work-



men engaged in it, but it was never a conspicuous financial success.

Probably the most distinctive feature of co-operative production in Italy is the existence of large numbers of "Labour and Public Service Societies." These associations, the earliest of which dates from about 1886, habitually contract to supply organized gangs of workmen, skilled and unskilled, together with the tools which they employ. In 1910 there were 1017 of these associations in existence, of which 774 presented returns. The total membership of the latter amounted to 94,738, their working capital to £113,638 and their reserve fund to £60,000. In each gang there is a "leading hand," who in addition to the standard rate of wages receives from one-third to one-half of 1 per cent of the piece-work wages paid to the gang. These associations undertake the execution of extensive contracts. In the decade 1890-1900 the Masons' Society of Milan executed contracts to the annual value of £26,000 for the municipality of Milan; and they also engage upon quarrying, road-making, irrigation and land reclamation. These associations are much favoured by the Italian Government and Municipalities, which grant them exceptionally favourable terms.

In Germany, producers' co-operation has never reached the same degree of popularity as in the Latin countries. Most of the so-called productive co-operative societies are really associations of small masters; and in 1910 there were not found to be more than about 150 genuine associations for co-operative production.

In Great Britain the history of producers' co-operation may be said to date from the years 1847-9, when the Christian Socialists conceived the idea that this scheme for the reorganization of industry promised to solve the burning social questions of the day. In 1849 the Christian Socialists founded the "Society for Promoting Working-men's Associations," and established a dozen small self-governing workshops of tailors, shoemakers, builders, smiths, bakers, etc. These associations, however, though animated by the best intentions, all failed within a few months.

At the present day, according to the classification adopted in the *New Statesman Supplement* in 1914, the British productive co-operative movement falls into five main divisions. First, there are the producers' societies founded on the Christian Socialist model, thousands of which have been established, but only a very few of which have survived. In the second place, are the co-operative societies which were founded by the trade unions. The trade union movement devoted its attention to the fostering of co-operative production at three periods in particular: first, after the disastrous strikes of 1881, when the Amalgamated Society of Engineers founded the Atlas and Windsor Engineering Works; second, during the period 1871-9, which witnessed the foundation of the Ouseburn Engineering Works; and third, the period 1899-1906, when numerous small associations—principally of painters and bookbinders—were established. The enterprises floated during the first and second of these waves of enthusiasm came to an untimely and premature end, while the majority of those founded in the last period were also failures. The third main division of British co-operative productive enterprise consists of the Lancashire textile factories, founded from 1850 onwards, with shares of a small value, designed to appeal to the working-class investor. Many of these enterprises still continue to flourish, but, generally speaking, the shares are no longer owned by the workmen employed in the particular factories, and they have become the subject of the worst form of capitalist speculation. The fourth division consists of the productive branch of the consumers' co-operative movement, to which we have already referred. The fifth division includes those enterprises which have emanated from the Labour Copartnership Association, many of which defy classification; they include every society of copartnership from simple profit sharing on the one hand to genuine producers' co-operation on the other. The only example of a true self-governing workshop, which would satisfy the aspirations of Fourier or of Buchez, is the Nelson Self-Help Manufacturing Society. The next best examples are the group of so-called self-governing workshops in Leices-

tershire, Warwickshire and Northamptonshire, principally confined to bootmaking. These societies engage about 6000 workmen, 2400 of whom are their own employers. We must also mention the bootmaking industries in or in the neighbourhood of Leicester and Kettering. These societies have a capital of over £100,000 ; they consist of 4000 shareholders, of whom about 1150 are actual employees, while about 350 non-shareholder employees are also engaged. One good feature of this group is that the committee of management is composed exclusively of workmen. The factories, however, lose a good deal of their importance by reason of the fact that they sell practically all their products to the consumers' co-operative societies.

In addition to these main groups of co-operative producers' enterprise, there are to be found in Great Britain at the present day many societies founded by the Labour Co-partnership Association which are simply profit-sharing industries. There are in addition a certain number of societies which are merely dependents on the co-operative stores which provide practically their whole market, supply the great part of their share and loan capital and dominate their managing committees.

The general impression left on one's mind by a survey of the producers' co-operative movement is one of disappointment. Far more productive co-operative societies have failed than have succeeded, and those that survive are for the most part on a small scale and struggling. This failure of the movement to achieve success cannot be in any way attributed to any hostility or discouragement ; on the contrary, it has always aroused the enthusiasm of social reformers and of the working classes themselves, and has in addition received a great deal of preferential treatment from governments and municipalities in foreign countries. Moreover, it is, undoubtedly, true that those enterprises which have attained to any degree of success have tended more and more to depart from their original form, and to assume that of ordinary capitalist businesses.

The comparative failure of the producers' co-operative

movement is probably attributable to the joint operation of three causes. In the first place, the associations, in spite of much honest endeavour, have on the whole failed to attain the necessary degree of industrial discipline. There is no doubt that even the most sincere workman will not practise the same degree of obedience to a foreman or manager whom he himself pays and whom he controls at meetings of the concern as to an independent employer. In the second place, the associations, although they may have succeeded in performing the processes of production perfectly, have failed to study the art of selling. Any competent business man devotes at least as much attention to selling as to manufacturing his commodities, or in other words he regards the market as being as important as the factory. Working-men's associations on the contrary have always been inclined to underrate the importance of efficient salesmanship, and to neglect to study the demands of the public. This probably accounts for the fact that at the present time the greater number of productive associations are dependent for their sales on the consumers' societies, and do not seem able to take their proper place in the open competitive market. Lastly, the associations have on the whole shown themselves not sufficiently adaptable in adopting new processes. To employ the latest and most up-to-date methods of production is the special mark of an efficient *entrepreneur*; and it is only natural to conclude that this important aspect of business will be overlooked in concerns from which the rôle of *entrepreneur* has been eliminated. Whether these reasons be the correct ones or not, it is quite certain that the producers' co-operative movement has been on the whole a failure, and it would require an unusual degree of optimism to believe that the movement will make any considerable advance in the future. As the Rt. Hon. A. H. Dyke Acland, M.P., put it in his presidential address at the Co-operative Congress of 1891: "The ideal co-operative productive society, where all the capital is owned by the worker, is admitted to be an impossibility except in the rarest cases."

## SECTION V. COLLECTIVISM

Recent years have seen the growth of several important new schemes for the organization of industry, which, however they disagree on other points, are unanimous in their desire to abolish the wage system. These movements also agree in one other important particular, namely, that however their advocates may dislike the present capitalist system, they still more vigorously dislike one another, and their writings are devoted rather less to the explanation of the schemes which they approve than to the condemnation of the schemes of their rivals.

Roughly speaking, the new movements fall into two divisions, those which aim at placing the control of production in the hands of the consumers, and those which aim at placing it in the hands of the producers. The former movement is known as collectivism and the latter as syndicalism. There is an intermediate movement, half-way between the two, which aims at the control of the productive industries by the producers and consumers jointly. This movement is known as gild socialism.

The collectivists base their position on the assumption that the State or the municipalities may justly claim to represent the consuming public, and that they are therefore the best judges of what commodities should be produced and in what quantities. A collectivist organization of society would resemble the present system by which consumers' co-operative associations produce goods for distribution through their stores, only of course on a much larger scale. While this plan of industrial production is not without many undoubted merits, such as the elimination of wasteful competition, and the abolition of the present extravagant methods of advertising and "pushing" goods, it is improbable that it would affect the *status* of the workmen, who would remain employed at wages just as at present. The workman under collectivism would simply be employed by the State or municipality, just as the postman or gas inspector at the present day, and would not be any nearer either the ownership or the control of the

industry on which he is employed. Indeed, it is probable that he would be worse rather than better off, on account of the bureaucratic methods that invariably attend public administration.

The fact that the workman under a collectivist system would not be any nearer the control of the industry in which he worked is witnessed by the emphasis which Mr. and Mrs. Webb lay on the necessity for the continued existence and strengthening of trade union organization in a collectivist state. The very fact that trade unions would still exist is a proof that a conflict would still be in being between those who controlled and those who worked in industries, because, as we have said above, the very basis of trade unionism is the existence of a wage-receiving class. But the fact that trade unions would continue does not imply that they would be successful. On the contrary, as soon as any industry becomes nationalized, the power of the workmen's organizations becomes relatively less than it has been under private ownership, largely because, when the Government is itself the employer, any revolt on the part of the employed is doomed to meet with Government and probably public disapproval. There is a probability that in a collectivist state minimum wages would tend to be regarded as maximum by the public, which would of course be paying them, and strikes for higher wages would probably be regarded as savouring of revolution. In other words, the Combination Laws would probably be re-enacted. The experience which we have derived from the great extension of State control and management which was brought about by the war has convinced many collectivists that State control of industry is very far from being a benefit, and might easily become a curse.

We may refer in passing to the fact that, as we said before, the production of goods by consumers' co-operative societies is an example of collectivism on a small scale, because the control of production is vested in the hands of the consumers. It is true that so long as the society remains small it is possible for the workmen to possess—and they do in practice possess—a considerable share in the control of the industry, but this

control vanishes when the society develops into a large one. It is interesting therefore to remember that no class of workmen has complained so bitterly of the treatment they have received as those employed by consumers' co-operative organizations. Here at any rate control by the consumer has done absolutely nothing to solve the problem of the relations between employer and employed.

We must also draw attention to the fact that it is by no means certain that the State does represent the consuming public at all. As we shall see lower down, all the more developed schemes of nationalization to-day admit the necessity of separate representation for the State and for the consumers' organizations.

The movement in the direction of collectivism—or "nationalization" as it is more generally called nowadays—received a certain impetus from the experience of the workmen in Government controlled industries during the war. It seems to be forgotten, however, that the high wages paid in these industries were rendered possible chiefly by the fact that the industries were conducted at a heavy loss, which was made good out of the public revenue. So long as the Government owns or controls a few special branches of industry, it is possible for it to pay exceptionally high rates of wages, which are provided out of the taxes; but if the Government owned or controlled every industry, they would be confined to wages which could be met out of the actual production of those industries. There is therefore no reason for supposing that the average rate of wages would be increased under a *régime* of nationalization, unless it could be proved that State controlled industries are on the whole more efficiently and economically managed than those conducted by private individuals. Experience however teaches quite the contrary. Moreover, collectivists seem to assume that in a collectivist State human nature would be transformed in such a way that the average man would be induced to exert himself for the common good. Our knowledge of human nature as it is, however, teaches us that human exertion is evoked only by the prospect of some reward; and it seems



unreasonable to assume that the whole psychology of man would be revolutionized by the transfer of productive undertakings from the ownership of capitalists to that of the State.

The only really valid argument advanced in favour of collectivism is that it minimizes wasteful competition. That argument however is no longer of any practical controversial value, because competition is being eliminated as rapidly as possible by the present capitalists. The whole tendency of the present time is towards monopoly and away from competition. We are in a position to-day to test the advantages which have been promised to us by a generation of collectivists, and unfortunately they do not taste so sweet as we had hoped. Certainly the workmen in the huge trusts are generally speaking no better off than they were under the competing firms, and there is no reason to suppose that they would be better off under a monopoly governed by a cabinet minister than under one governed by a board of directors.

Indeed to expose the fallacies of collectivism is like pushing an open gate, because it has no serious advocates at the present day. As Mr. G. D. H. Cole says: "State Socialism or Collectivism, as a creed capable of inspiring idealism amongst decent people, is dead and buried." Let us therefore pass to the second great panacea that is offered to a bewildered public, namely, syndicalism.

## SECTION VI. SYNDICALISM

The word syndicalism, which was a few years ago sufficient to arouse terror in the heart of the average middle-class person, is derived from the French *syndicalisme*, which means nothing more or less than the policy of the *syndicats*, as trade unions are called in France. In French therefore *syndicalisme* simply means trade union policy. The French trade union movement however has been divided between two main programmes or policies, known respectively as *syndicalisme reformiste*, and *syndicalisme revolutionnaire*, and it is with the latter that the British word syndicalism is synonymous. The policy known as *syndicalisme revolutionnaire* aims at

the taking over of industries by those employed in them. It looks simply and exclusively at the interest of the producer, and completely ignores that of the consumer, with his representative the State. The syndicalist aims at taking over all the industries of the country by the trade unions, and the final annihilation, without compensation, of the present proprietors. The actual ownership of the industries would vest in the community, but this apparent concession is of no value, because their complete and absolute control would be in the hands of the trade unions ; and the vesting of ownership in the hands of the community is simply the syndicalist way of abolishing the idea of property altogether.

Not less important than the aims of syndicalism are its methods. The syndicalist, who is a profound believer in the class war, recommends a campaign of unceasing and bitter violence against the present owners of industry ; he scoffs at the idea of the workmen's position being ameliorated by any legislation, and therefore urges a policy of direct action, the culminating strategy of which is the simultaneous general strike of all workmen of a country—or if possible of the world—and the consequent collapse of the existing system.

The syndicalist movement in France has its counterpart in the activity of the Industrial Workers of the World in the United States. The American movement however differs from the French in one important particular, namely, that it aims, not at the taking over of industries by the small local groups of workmen employed in them, but at the taking over of all the industries of the country by all the workmen engaged on them. This variant of syndicalism is known as industrial unionism. The British syndicalist movement, which is of inconsiderable strength, is industrial unionist rather than strictly syndicalist in character ; it has not however contributed any new theoretical ideas to the subject ; and practically confines its activities to the encouragement of amalgamation of trades unions and the advocacy of strikes.

Undoubtedly the syndicalist idea is good in so far as it represents a reaction against the excessive concern for the consumer displayed by the collectivists. It is also arguable

that the status of the workman will be improved by his receiving a share of the control of the industry in which he is engaged. The syndicalist moreover is not, as is sometimes suggested, an impracticable idealist, aiming at the unattainable. There is nothing inherently impossible in the idea of even the largest of modern industries being conducted, if not very successfully, by the workmen engaged in them.

On the other hand, the syndicalist conception of life is fundamentally unsound, because it refuses to regard man in any other capacity than that of the producer of material goods. It completely leaves out of account all his higher faculties and desires, such as religion and patriotism. The theory of distribution which underlies the syndicalist idea is also fundamentally unsound, as it is nothing more or less than the long-exploded fallacy that all value is created by labour, and that the workman has a right to the whole produce of his work. Of course a moment's reflection will convince one of the danger for the gullible working man which lurks in this simple proposition. It would certainly not appeal to those engaged on the production of perishable articles which might be quite useless and valueless before they reached the consumer, and which would therefore produce no remuneration at all for those who had manufactured them. The labourer has a right to a livelihood quite apart from the value of the goods he produces, but this elementary principle of social ethics would not be admitted by a logical syndicalist.

We may pass by the inherited immorality of the syndicalist's programme of expropriating the present owners of industry by a general strike, because happily the successful accomplishment of such a design is quite impossible in anything like the present stage of labour organization. Moreover, even if the general strike had been successfully achieved, great difficulties would face the new controllers of industry. Presumably the principle of anarchy would not be extended to the workshops, and the existence of a class of managers and foremen would still be recognized as necessary. These officials would, of course, be elected by and responsible to those whom they would be paid to supervise. Such an arrangement

is not productive of the high degree of discipline that is needed for the carrying on of modern industry. Indeed, the numerous failures which have overtaken enterprises conducted by associations of independent producers in the past makes one slightly sceptical as to the success of the syndicalist workshop of the future.

The vital objection however to syndicalism is that it would perpetuate many of the evils of the present system. Each group of producers would form a close and selfish monopoly which would aim at obtaining as high a price as possible for its produce. In other words industry would be in the hands of a group of trusts, which would resemble the present trusts in many particulars, with the one important difference that they would be less efficiently managed. The policy of bodies of this kind would be conservative and unprogressive in the extreme ; they would doubtless attempt to increase their profits by restricting the numbers employed in the industry ; and they would view with suspicion and hostility the introduction of improved manufacturing processes. Even syndicalists themselves are alive to the force of these objections, as they admit that the whole question of control cannot be safely left in the hands of the producers in each industry. They have therefore proposed that the questions of how, and at what price, commodities should be produced should be decided by congresses and councils of the producers in different industries. This suggestion however rests on no logical basis. One can understand why production should be regulated by the consuming public, or by the producers in the particular industry affected ; but one cannot understand why it should be regulated by groups of producers in other industries. Other syndicalists suggest the establishment of a Central Production Board, with a Statistical Department. This however is a denial of the whole syndicalist position, because such a central board would be nothing more or less than the State under another name.

Even in France to-day pure syndicalism has been abandoned as a practical programme. The General Confederation of Labour now puts forward a programme of demands under the name of Industrialized Nationalization. This new programme

is the outcome of the sittings of the Conseil Économique du Travail, a body consisting of representatives of the General Confederation of Labour, the brain workmen and technicians, the consumers' co-operative societies, and the Civil Service Associations. This programme proposes that when any industry is nationalized it shall at once be handed over to be administered by a council representative of three interests—producers, consumers, and the public. The producers of course consist of all the workmen in the industry; the consumers include first the co-operative societies as representing the ordinary domestic consumer, and secondly the trade users and the public. Representatives are to be drawn, half from the technical and half from the administrative personnel of the State services. One important feature of the scheme is that the nationalization of regional or even individual industries is contemplated, so that competition will remain. It is proposed that the profits of the industries should be divided into three parts; one part to pay interest on working capital and the amortization of the capital taken over, another part to provide houses and improved conditions of employment for the workers, and the other part to be applied to the development of the national resources. It is obvious that this is a very different proposal from pure syndicalism; indeed it is a highly developed form of gild socialism.

## SECTION VII. GILD SOCIALISM

The objections to the syndicalist programme have appeared so convincing to thinkers on the subject that pure syndicalism is no longer seriously advocated, at any rate in England; and an attempt has been recently made to construct a scheme of industrial organization which would combine the best features of collectivism and syndicalism, or which in other words would reconcile control by the producer and by the consumer. This is the task which the Gild Socialists or National Gildsmen claim to have achieved.

The programme of the Gild Socialists is roughly that the control of industry should be divided between the State,

representing the consumers, and the trade unions, or gilds, representing the producers. It is important that we should understand that the gilds proposed by the gildsmen are not modelled on the mediæval craft gilds, which we have described, but are rather the trade unions reorganized and adapted to exercise the function of control. Their proposals should not therefore be condemned as a return to unrealizable mediævalism. It is nevertheless correct to call these new organizations gilds because they resemble the mediæval craft gilds on many important points. According to Mr. G. D. H. Cole, who has done more than anybody else to explain and popularize gild socialism, the national gilds should be so called, "first, because they are to have a statutory and recognized position in society ; secondly, because they are to exercise a monopoly ; thirdly, because they are to be associations of masters in the sense that in them every man will be a master ; and fourthly, because the name does stand for a morality in industry which we have lost and which it is important to restore."

In describing the proposed functions of the new organizations and their relations to the State, we cannot do better than again quote Mr. Cole : " Gild socialism is a proposal for the comanagement of industry by the State and the trade unions. Ownership of the means of production is to rest with the community, but the unions are to be definitely recognized by the State as the normal controller of industry. They are to be statutory bodies exercising a monopoly, but admitting of free entry on reasonable conditions. The amount and character of their production are to be determined for them by demand, which would be made articulate for them through the consumers' organizations, local and national (i.e. the State, and the municipality) but the methods and processes are to be left entirely in their hands ; they are to elect their own officials, and to be self-governing corporations with the widest powers."

The machinery by which the gilds, representing the producers, and the State, representing the consumers, are to be brought together, so that their respective functions may be performed harmoniously, is thus outlined. " The State and the

gilds must not come into contact only as enemies, and when they disagree ; they must have some common body of general negotiation, in which the heads of the gilds may meet the heads of the State, to arrange the production and services to be demanded of the gilds. In addition to the National Executive of each National Gild and to the Gild Congress, which represents the producers alone, there must be a joint board, equally representative of both parties. This body must be backed up on the side of the consumer with Parliament and with a Government Department ; but it must not be directly under a Government Department and a Cabinet Minister. Normally the gild must be left to administer its own internal offices, and to produce by such methods as may seem to it best, the commodities required by this joint board, and ultimately by the consumer. Producer and consumer together must control ends, while the gild looks after means."

The conception of the National Gilds has at the present time considerable popularity amongst the younger leaders of the trade union movement in England, and the schemes put forward by the National Union of Railwaymen, the Miners' Federation of Great Britain, and Union of Postal Workers for the reorganization of their respective industries and services embody many features of the gild socialist idea. There is not the slightest doubt that the projects of the National Gildsmen will continue to occupy a large share of public attention, if not support.

As we said above, gild socialism aims at combining the best features of collectivism and syndicalism. Unfortunately, however, it also succeeds in embodying many of the worst features of both systems. In gild socialism, no less than in collectivism, the ownership of industry would rest in the State, or, in other words, private ownership in the means of production would be abolished. To those therefore who believe in the vital importance of private property gild socialism suffers from the same defect as collectivism or syndicalism. On the other hand, the objection that syndicalist associations of producers would be in a position to exploit the consumer applies with scarcely diminished force to gild socialism. The strength of this



objection has been frankly admitted by Mr. Cole, whose reply is that anything which the gilds demand from their operations over and above what was necessary to pay a proper remuneration to the members of the gilds would be taken in taxation and thus made available for the community as a whole. If, however, such a step were attempted two evil consequences would at once arise. In the first place, the conduct of industry would be subjected to the unceasing scrutiny of public officials, with the almost inevitable result that the forces of bureaucracy would be strengthened; while, on the other hand, the standard of life of the workman would be fixed by the judgment of the State. These are two of the principal objections that are aimed against collectivism. Thus in escaping from the Scylla of public exploitation, the gild socialists would find themselves in the Charybdis of public control. As Mr. Harold Cox has pointed out in a recent article in the *Edinburgh Review*, the admission by the gild socialists that the provision of further capital would be in the discretion of the State involves the consequences that the State shall have a determining voice in the conduct of industry. This naturally would lead to the very evils of bureaucracy which we have seen to be attached to collectivism.

These panaceas also seem to lose sight of the complexity and specialization of modern business. As Professor Marshall remarks in his latest book : " It seems that these new schemes, like those of earlier times, look only at the surface difficulty of business ; and do not attempt with patient care to track out the effects of effects and the causes of causes. In particular they appear to regard economic progress as a thing that grows almost of itself ; they take little thought for the dependence on deep insight, on far-seeing foresight, on sound judgment in selecting new developments of technique and organization, and on the courage of leaders of industry in taking selected risks on their own shoulders." Again, on a later page in the same book, the same eminent author writes : " The last new vision of the Golden Age is to bring out latent powers of goodness in human nature ; the task of regulation is to be as simple as it would be if all men were as unselfish and earnest as the writer

(Mr. Cole) himself; the vast difficulties of modern business organization are so completely left out of account as to imply that they have never been seriously studied."

Each of the three methods proposed by the reorganization of industry on a non-capitalistic basis is therefore open to objection on many points. They are all, moreover, objectionable on the one fundamental point that they do not free the workmen from the very status of which they now complain. The essential objection to capitalism is that it makes the workman a mere wage-earner or proletarian, because the ownership of the industry in which he is employed is vested in another person. If, therefore, the capitalistic system is to be abolished the ownership of industry must be transferred from the employer to the workman, so that he may become a property owner as well as the receiver of wages. This transformation is promised by none of the methods we have described. However these three methods differ from each other, they are all agreed that the ownership of industry should be vested in the State, and not in the workmen. The workmen, therefore, although they may gain an additional share of control in industry, will still remain what they are to-day, wage-earners or proletarians, with the added disadvantage that the amount of their earnings will not be fixed by their own endeavours and joint action, but by the State, or in other words by the opinion of the consuming public. It is true that they would be more effectively guarded than at present against destitution and unemployment; but their *status* in the industrial fabric would be in no way changed.

Moreover, it must not be forgotten that the individual workman would be in a weaker and a worse position under any of these new systems than he is at present. Now he can leave one employer and go to another, but under the new *régimes* his work would be assigned to him either by the State or by the *syndicat* or gild. In other words, the erection of a colossal public or monopolistic scheme of industry would inevitably entail the consequence that the individual would come to be regarded simply as a cog in the wheel, and that he would be exposed to the tyranny of bureaucratic interference in every

direction. It must not be forgotten that the bureaucracy of the State is not the only bureaucracy, and that the officialdom of a national gild might be quite as galling and irresistible as that of a Government department. In theory the postal workman of to-day can exercise control over the Postmaster-General through his elected representative in Parliament, but in practice it is obvious that such control is of no effective value. We venture to say that the voice of the gildsman in the control of the policy of his gild superiors would be precisely the same value as that which is now exercised over the Postmaster-General by the postman in a remote village.

## CONCLUSION

**I**F our estimate of the various methods of industrial organization from which the wage system is eliminated be correct, it would seem that the present capitalist system, though full of abuses, is not so objectionable as some of the substitutes suggested in its place. We have seen that profit sharing and labour copartnership, whatever may be their merits or defects, are incapable of attaining wide popularity on account of the hostility which they have incurred from the trade union movement. Co-operation is no more promising than profit sharing. The consumers' co-operative movement is now on a frankly capitalistic basis so far as it is an employer, and the producers' movement, although theoretically unobjectionable, has in practice proved itself incapable of wide application. The more radical solutions of the social problem—collectivism, syndicalism, and gild socialism—far from abolishing would aggravate and intensify the evils from which the workman suffers under the existing system. It would seem, therefore, that the existing capitalistic basis were, by a process of elimination, left as the only practicable means of conducting modern large-scale industry.

The present system, when all is said and done, does succeed in holding the balance fairly even between producer and consumer. The producer's interest is safeguarded by the constant vigilance and increasing strength of the trade unions, while the consumers' interest—the obtaining of what he requires at the lowest price—is safeguarded by the action of competition. It may be objected, however, that the day of competition is rapidly passing away ; and that the supply of

the most important articles of consumption is rapidly being monopolized by great associations of producers. The existence of this tendency makes it necessary to say a word about the regulation of the power of trusts and other combinations to control prices.

Twenty-three years ago Mr. and Mrs. Webb described in *Industrial Democracy* the "bulkworks" or "dykes" which capitalists were everywhere erecting to protect themselves from the full stream of competition. Since then, the tendency to defeat competition by combination has advanced at an unprecedented rate, and it would not be too much to say that at the present day the majority of the articles consumed by an average working-class family are controlled at one or other stage of their production or distribution by some powerful group of monopolists. America is the classic home of the great combine or trust; Germany has been remarkable for her "cartels"; and, while England was comparatively free from combination of this kind until quite recent years, she is to-day almost as much in the hands of monopolists as any other country. The Committee on Trusts of the Ministry of Reconstruction reported last year that "there is at the present time in every important branch of industry in the United Kingdom an increasing tendency to the formation of trade associations and combinations, having for their purpose the restriction of competition and the control of prices. . . ."

The control of the industry by these powerful associations is not without certain advantages, which are inherent in all large-scale production. On the whole it is probable that production can be carried on more economically by such groups than by a number of competitors, and much waste in distribution of the product is thus avoided. The power which the associations possess of fixing prices, unfortunately, usually more than overweighs those advantages; and it is generally felt that the economies in production accrue for the benefit of the owners of the industry rather than for that of the consumer. Thus the committee to which we have referred found that the trusts are in a position to establish a virtual

prohibitive tariff against foreign competition, and to deprive the British public of the advantages of free trade ; and that they are accustomed to raise the price of their products in the home market to such a degree as to enable them to " dump " their goods abroad, and thus capture foreign markets as well. On the whole there is very little doubt that the disadvantages flowing as a result of trusts more than outweigh the advantages.

This being so, some action on the part of the State is called for. Such action may be dictated either in the interest of competing manufacturers, whom the trust aims at driving out of business, or in that of the consuming public. According to Professor Marshall, State interference of the former kind is called for " when the trust sets itself to destroy a rival, who is prepared to sell things of good quality at lower prices than the trust is charging for them elsewhere."

State interference on behalf of the consuming public is called for as soon as it becomes apparent that the trust is abusing its position to raise prices unduly. The form which such State action should take is a matter upon which there is a good deal of disagreement among economists. It can be either repressive or regulative, that is to say it can be aimed at preventing combination with the idea of preserving competition, or it can take the tendency to combination for granted, and concern itself with preventing and penalizing any use of the power derived from combination which may be inimical to the public interest.

The first objection to the adoption of repressive measures is that they rob the public of the benefits as well as of the drawbacks of combination. As we said above, production tends to be more economical under combination than under competition, and it is clearly in the public interest that production should be as economical as possible. The second objection is that such legislation is practically doomed to failure in fact of the world-wide economic tendencies of the time. The American anti-trust laws have not been a conspicuous success ; they have forced the combining firms into huge amalgamations, thus intensifying the evils they were

meant to remedy ; and have driven combination underground. Clearly no legislation which produces still further amalgamation can promise to solve the problems which combination presents ; as the only chance which the small manufacturer has of carrying on his business to-day is by joining a combination.

The wiser course would be to assume that combinations will continue to exist and expand, and to aim at preventing them abusing their powers. Several courses of action of this kind can be suggested. In the first place, if it is found that a particular industry is being directed in such a way as to prejudice the consumer, it can be nationalized. This however is an extreme measure, as it would tend to produce the numerous evils which as we saw above are inherent in collectivism. Another extreme measure, to which resort was had by the British Government during the war, is for the State to establish a public industry to compete with the trust. These however are extreme remedies only to be applied as a last resort. Obviously they could not be applied to all the trust-controlled industries in the country without bringing about a collectivist society. In that case the remedy would be worse than the disease.

More immediate and generally applicable measures must be devised. It has been suggested that the profits of monopolist firms should be limited, but this suggestion raises innumerable difficulties, the principal of which is that it would completely destroy the incentive for business enterprise, and would probably lead to the emigration of the most capable business men. The analogy of the sliding scale limitation of profits applied in gasworks could not be applied to all industries, because gasworks like railways are in their very nature monopolistic, and must therefore accept Parliamentary control. The difficulties which lie in the way of limiting profits have led to the proposal that a large share of the profits of combinations should be taken by the State by way of taxation. Such a tax however simply has the effect of making the Government a *particeps criminis* in the overcharges of the combines ; and our experience gained by the war should awaken us to the



dangers of a Government department being allowed to have any interest, direct or indirect, in the profit to be derived from trading. As it is put in an addendum to the report of the committee of trusts, "It may be better to have an excess profits duty than not to have it, when there are excess profits about ; but it would be far more profitable to the community (and therefore also to the exchequer) if there were no excess profits to tax."

The two last suggestions that are made for the public control of the powers of monopolies are less objectionable. The first is that the dealings of trusts and combines should be put under the searchlight of public criticism, in other words that they should be bound to publish their accounts. The mere publication of balance-sheets is however in itself insufficient, as many of the most notorious of the existing monopolists are public companies whose balance-sheets are printed in the press. What is required is that a department of State should be charged with the duty of investigating the dealings of all monopolistic concerns, and of hearing and determining all complaints brought against such concerns. The proceedings of such a department would be published not alone in Parliament, but also in the newspapers, and public attention would thus be focussed on the dealings of monopolies. The second suggestion is that the department which had power to investigate the conduct of monopolies should also be empowered to fix the prices of monopoly controlled articles. This would secure that the interest of the public would be guarded, without the attendant disadvantage which would accrue from public ownership. The war has made us familiar with the control of prices by the State, and, although many injustices may have been committed in the exercise of this power, it is generally agreed that things would have been even more intolerable if prices had been left uncontrolled. A system of State control of the prices of articles produced by trusts and combinations avoids at the same time the wasteful effects of competitive production and the evils of collectivism.

In all cases where some measure of nationalization is

called for, every effort should be made to free the national industrial department from bureaucratic control. In many continental countries State services have been gradually detached from the other branches of State administration. One step in this direction is to assimilate the legal position of the department to that of private enterprises ; another is to separate their finances from the State budget ; while a third is to submit them to the same taxation and other obligations as private enterprises. This principle of detachment is already recognized in England in the case of the London Dock Authority, the Metropolitan Water Board and other boards. The evil of bureaucracy may further be reduced by the extension of the control and collaboration of the workmen engaged on the industry.

The existence of monopolies does not therefore present an impassable barrier to the realization of the benefits which a continuance of the present system promises. Monopolies can be controlled in the ways we have mentioned ; and, when so controlled, they perform a useful function in cheapening the cost of production.

The continuance of the capitalist system of industry does not entail as a consequence the continuance of many objectionable features which are present in it to-day. There is no reason, for example, why a much larger share in the control of the conditions of work and the management of the factory should not be devolved upon the workmen. The great advance made in the status of the workmen's organizations during the last fifty years, and the recognized position that they occupy in the industrial world to-day, should teach us the lesson that further advances are not only possible but inevitable. We have not space here to enter into the question of how far control may be shared by the workmen. The great rule, however, to be observed is that control should not be given up by the management if the result would be to lower the productive efficiency of the business.

We must not lose sight of the fact that the present capitalist system of conducting industry, far from becoming more oppressive on the workmen, is becoming more tolerable every

year. The last fifty years have witnessed an unprecedented improvement in the status and comfort of the working classes, and many—we might safely say the majority—of the abuses which marred the relationship of master and workman in the middle of last century have disappeared. There is no reason to doubt that with the maintenance of a strong trade unionism and the increasing vigilance of the Government the remaining causes of complaint will not be removed in a few years.

The unfair system of distributing the proceeds of industry in the past has caused the workman and his leaders to devote more attention to the problems of distribution than of production. The lessons of the last few years however have—or should have—taught the world that to obtain an increased share of a diminished product is not always a satisfactory achievement. The constant struggles to force up wages at the expense of profits have obscured the fact that this is a process which cannot be continued indefinitely. Professor Bowley has recently demonstrated in his *Division of the Product of Industry* that the stage has now been reached at which wages cannot be any further increased at the expense of the remuneration of the other factors of production. If the workmen want larger wages they must therefore strive to create a larger wages fund. The great hope of the future advance of the working classes is increased production ; this is a hope, the realization of which lies in the hands of the working classes themselves. If the various labour organizations strive to increase the volume of the national output they will be performing the truest and best service in their power to their members and to the Commonwealth.

We must, however, remind the reader that wages do not at the present day occupy such a central position in trade union aims as formerly. As we have stated above, there has been a gradual but unmistakable revolution in trade union thought during the last thirty years ; and organized labour is no longer content to make the best terms it can under the existing system of industry, but seeks to replace that system by another more acceptable to its ideals. One might read through the whole proceedings of the Royal Commission on

Labour of 1891-4 without meeting with a hint that labour was then dissatisfied with the existing structure of industry, as apart from its abuses. Things are, however, far different to-day. The trade union movement has in the last quarter of a century definitely passed from the defensive to the offensive; from the function of zealously resisting every infringement on the rights and privileges of labour to that of carrying the war into the enemy's camp, and seeking to revolutionize the whole basis upon which industry is conducted.

It is difficult to define or describe these new aspirations and ideals of the trade union movement, for the simple reason that they are the subject of acute disagreement amongst trade unionists themselves. On one point, however, all schools of thought are agreed; namely that "capitalism" must be abolished. By "capitalism" is meant the system in which the means of production are owned by private individuals and the workers are paid by wages. When we pass from the abolition of the present system to the suggestion of what should take its place we find far less unanimity; the syndicalists hate the socialists as heartily as they hate the capitalists; and national guildsmen diffuse their contempt equally over every alternative system. In other words, the revolutionary labour movement is agreed on its destructive, but torn apart on its constructive side.

Side by side with these aspirations for the attainment of a new industrial status, we must notice the growth of the use of trade union organization for the attainment of political ends. The last few years have witnessed various examples of organized labour endeavouring to dictate policy to the Government on matters not directly connected with the contract of employment. During the war the importance of the political strike—or Direct Action, as it came to be called—was emphasized. In the years 1917-18 the National Union of Sailors and Firemen, at the dictation of Mr. J. Havelock Wilson, prevented certain Labour leaders from proceeding to Petrograd, and their action met with the full approval of the capitalist Press. Another example of the same thing was the

withdrawal of the Electrical Workers' Trade Union in 1918 from the Albert Hall in London, thus causing the abandonment of a meeting of which they disapproved. Another example of direct action was given by the printing staffs of certain unions in London during the Railway Strike of 1919, when they threatened to stop the publication of the newspapers unless the National Union of Railwaymen was treated fairly in the Press. Again, in the same year the Miners' Federation threatened a stoppage of work unless compulsory military service was immediately abolished. The example of these British unions doubtless inspired the Irish branch of the National Union of Railwaymen to refuse to handle munitions of war, or to convey troops or police in the summer of 1920. Another important landmark in the progress of Direct Action was the success of the Irish Labour Party in obtaining the release of certain political prisoners under the pressure of a general strike.

Of the existence of this new spirit in trade unionism there can be no question ; but it is doubtful how far it has permeated the rank and file of the British movement. We need not emphasize the fact that there are various agencies—some local, some international—working in the United Kingdom with the object of stimulating the working classes to agitate against the present industrial system, and to seek to evolve some new system in its place. The Plebs League, the National Guilds League, the Herald League, and the Clarion Fellowship all openly avow this object. How far the ideas favoured by these bodies have been adopted by the mass of the British organized labourers it is difficult to say. It must be pointed out, however, that neither the propagandist agencies themselves nor the British labour movement are homogeneous. The former are in acute disagreement with each other ; and the latter is composed of a mass of conflicting and irreconcilable elements. Indeed, we may say that the more numerous the propagandist agencies become, and the more the trade union movement grows, the less likely becomes the possibility of unanimous and concerted action.

One or two large industrial centres are undoubtedly full of

revolutionary extremists who are prepared and anxious for violent action. Glasgow and the Clyde are full of advanced trade unionists, whose dissatisfaction with the existing state of things is aggravated by other than purely industrial considerations; and the South Wales coalfield, where the Workers' Educational Movement has made the most progress, is also conspicuous for its extreme "left" ideas. The mass of British labour, however, as far as one can gather, is comparatively unreceptive of the preachings of the social revolutionaries. The Bolshevik revolution in Russia, while undoubtedly operating to awaken working-class criticism of the existing structure of society, has at the same time produced a reaction against violent measures which are likely to result in the terrible chaos of bloodshed and poverty which it has produced. But we must not conclude that because a violent revolution is generally not contemplated that the working class has surrendered the hope of attaining its ideals by gradual and peaceful methods. The resolution of the new building guilds probably expresses fairly accurately the new ideals of British labour: "To use all means in its power, consistently with the rules of trade unionism, to bring about such a change in the spirit and organization of the industry that the end of the wage system can be secured and the principle of self-government established." Even if the plan of a sudden revolution by means of a general strike be momentarily in abeyance, and if popular opinion be against the wisdom and desirability of direct action, still the organized labour movement aims at the attainment of a great revolution by peaceful means. Every year witnesses legislation which marks more and more clearly the passing away of the old system; and it is indubitable that the return to power of a Labour Government would herald the introduction of many fundamental and sweeping social reforms that would do much permanently to change the existing distribution of the products of industry.

At the present moment, therefore, when these great changes in the spirit of trade unionism are taking place before our eyes, and still greater changes are undoubtedly impending, it is

impossible to say anything final or conclusive about the organization of labour. The phenomenon we are attempting to describe is not stationary ; it is moving rapidly, and is apt to assume a kaleidoscopic variety of form. All we can do is to describe the movement as we see it at the moment ; and to warn the reader that this book will be out of date in a couple of years—if indeed it is not out of date already, as we shall probably be told by some of our critics.



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